



North Western Group®

'The key ingredient to the food industry'

# BAKO North Western (Group) Limited



**BAKO  
SELECT**

*Create*



**BAKO  
SELECT**

*Ingredient*



**BAKO  
SELECT**

*Finish*

## Annual Report & Financial Statements For the year ended 31 March 2020

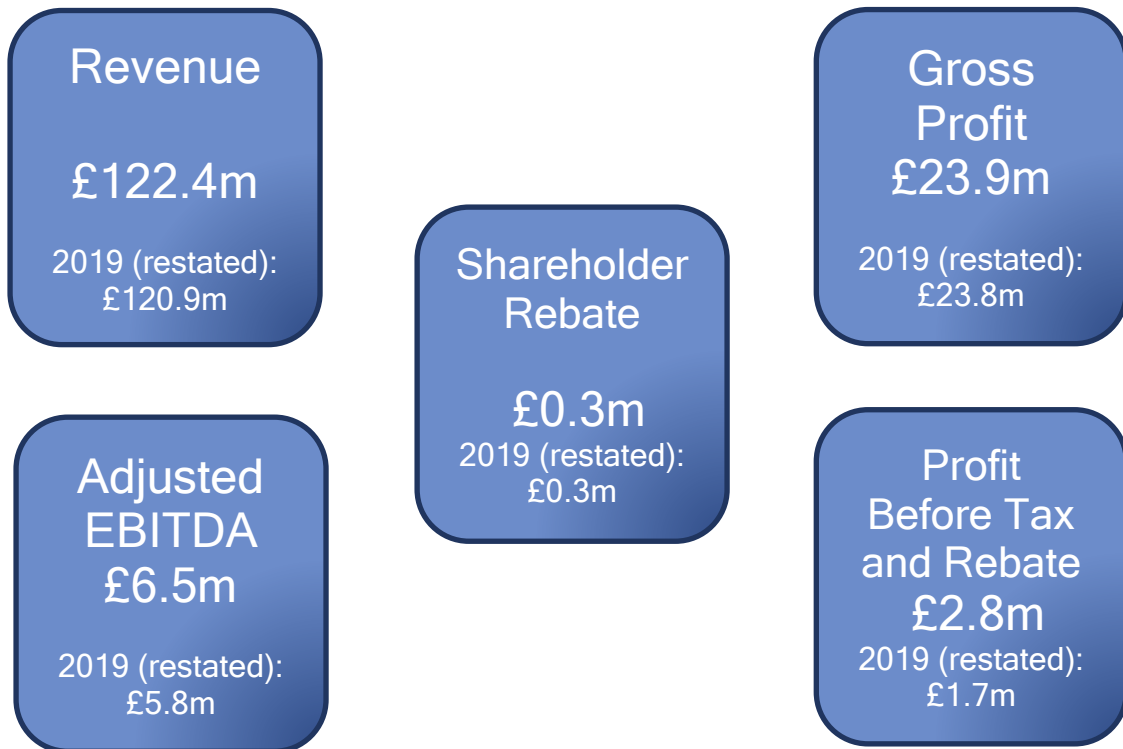
Company Registration Number: 08802727

# COMPANY INFORMATION

Directors	J Hall (Chair) J Hill D Hindley A Moore D Yates D Walker (Senior Independent Non-Executive Director) D Ghee (Independent Non-Executive Director) A Sutton (Independent Non-Executive Director)
Company registration number	08802727
Registered office	74 Roman Way Industrial Estate Longridge Road Preston Lancashire PR2 5BE
Auditor	RSM UK Audit LLP Chartered Accountants Bluebell House Brian Johnson Way Preston PR2 5PE
Bank	HSBC UK Bank Plc 1 Forest Green Caxton Road Preston PR2 9LJ

# STRATEGIC REPORT

## Highlights



- Highest EBITDA ever reported
- Highest ever shareholder rebate
- BAKO South Eastern reports a trading profit for the first time since acquisition
- 171 new shareholders taking total membership up to 580
- Over 6,500 customers, including approximately 3,000 bakers
- BRC accreditations achieved at Grade A or above for all 3 Group sites
- Mental Health first aiders appointed at each Group site
- 100% of electricity supplied from renewable energy sources
- Transition from UK Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS)

# STRATEGIC REPORT (CONTINUED)

## Group overview

BAKO North Western (Group) Limited services customers throughout the United Kingdom with business units in Durham (BAKO Northern & Scotland), Preston (BAKO North Western) and Wimbledon (BAKO South Eastern). The trading operations are supported by a Group head office function in Preston. The Group functions of Executive Management, Finance, Human Resources, IT and Commercial Services provide support to the business units and ensure 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 UK-wide service and product range that are highly valued by its customers. The Group's Purpose of "A co-operative business, owned by bakers, for bakers; sustaining the British baking industry for future generations" reinforces the ethos with which the Group operates. The Group specialises in the wholesale supply of bakery ingredients and finished goods, operating a multi temperature vehicle fleet to provide a one-stop shop for bakery and food service products.

## Executive Management Team

### **Michael Tully: Group Chief Executive Officer**

Michael has worked in the bakery ingredients sector since 2004 firstly as General Manager at BFP Wholesale and then as Chief Executive Officer at Bako Northern and Scotland. He was appointed Group Chief Executive Officer in October 2017. In his time at BAKO, he has led the restructure of the Group's cost base and built the Executive Management Team.

### **Kirti Hirani: Group Chief Financial Officer**

Kirti is a Fellow of the Institute of Chartered Accountants of England and Wales and started his career as an auditor before going on to various roles in finance. He joined the Group in May 2017 and was appointed Chief Financial Officer in October 2017. Kirti was a key part of the restructure of the Group's cost base and has driven improvements in controls, processes and reporting. Kirti also acts as the Company Secretary for the Group and oversees the Group's IT department.

### **Ian York: Managing Director BAKO Northern Western**

Ian joined the business in June 2020 bringing with him over 25 years first-hand experience of Sales, Marketing, & Operations in the food industry. Operating at board-level in manufacturing, wholesale and retail companies such as Premier Foods, Cambridge Commodities, Poundstretcher, Symingtons and The Tofoo Company, Ian is firmly focused on customer growth and profit.

### **Nicholas Harris: Managing Director BAKO South Eastern**

Nicholas has many years of experience in food distribution and manufacturing, including 21 years as the Managing Director of BFP Wholesale. After a short time out of the industry he launched the new BFP as part of Kent Foods before joining the Group in January 2018. Away from BAKO he also serves as an advisor on the NFU Sugar Board representing the 3,000 growers providing sugar beet for British Sugar. Nicholas has been instrumental in delivering an operating profit at BAKO South Eastern for the first time since its acquisition in 2013.

### **Paul Long: Managing Director BAKO Northern and Scotland**

Paul has developed his career in the baking industry with roles at UCB and Rank Hovis McDougall, where he was appointed General Manager of Fleming Howden. Paul joined BAKO as Managing Director for BAKO Northern and Scotland in September 2018, bringing with him over 20 years of experience in the industry. Paul has increased the return generated from this division and developed a senior management team that can grow the division for many years to come.

# STRATEGIC REPORT (CONTINUED)

## Review of the business

### Group performance

For the year ended 31 March 2020 the Group significantly improved its profitability with profit before tax growing 65% from the prior year to £2.8 million (before member rebates of £0.3 million). A reduction in cost base was the primary driver of this improvement. The turnaround of BAKO South Eastern Limited continues apace with the division reporting its first operating profit since its acquisition by the Group in 2013.

Turnover for the year saw an increase of £1.5m to £122.4 million (2019: £120.9 million) with an improvement in gross profit to £23.9 million (2019: £23.8 million).



The Group's adjusted Earnings Before Interest, Tax and Depreciation (EBITDA) saw a significant increase to £6.5 million from the prior year's adjusted EBITDA (as restated) of £5.8 million. The EBITDA for the year was adjusted for a share-based payment charge of £0.4m relating to the Executive Incentive Scheme and the shareholder rebate. The EBITDA for the prior

year was adjusted for costs incurred in merging the Norwich operation with Wimbledon of £0.2 million, a share-based payment charge of £0.3 million and £0.3 million of shareholder rebate.

Cash generated by operating activities for the Group was £5.5 million (2019: £6.0 million) with stock holdings increasing by £0.7 million. Cash required for investing activities was limited as no major capital expenditure was undertaken and proceeds of £1 million were received from the sale of excess land. Financing activities consumed net cash of £6.0 million (2019: £5.5 million), which includes a £3.1 million (2019: £3.0 million) reduction in the Group's invoice discounting facility and £2.6 million of repayments against lease obligations (2019: £2.1 million). The Group's cash and cash equivalents as at 31 March 2020 were £2.8 million (2019: £2.8 million) and external debt was significantly reduced from £6.5 million at 31 March 2019 to £3.6 million, resulting in net debt as at 31 March 2020 of £0.8 million.

As at 31 March 2020 the Group's net assets were £10.0 million (2019: £7.8 million).

### Divisional performance

The Group's largest operating company, BAKO North Western, achieved turnover of £54.5 million (2019: £55.6 million) which represents a slight fall on the prior year as some large volume low margin contracts were intentionally not renewed. Profit before tax for the year was £2.3



million (2019: £2.3 million before intercompany loan waivers). The division maintains a significant market share in the North West of England despite an increase in competition in the region.

BAKO South Eastern achieved operating profitability for the first time since its acquisition in 2013 reporting a profit before tax of £0.1m (2019: £0.6 million loss before tax, loan waivers and dilapidations provision). The turnaround was delivered by growing turnover to £29.5 million (2019: £24.7 million), a 19% increase over the prior year. The results evidence the success of the turnaround plan initiated in 2018 and the focus now moves to growing the profitability of the depot.

BAKO Northern & Scotland generated turnover of £38.4 million (2019: £38.4 million) and a profit before tax of £1.9 million (2019: £1.7 million before intercompany loan waivers). The business successfully retained its revenue and margin despite operating in a mature market with increased competition.

## STRATEGIC REPORT (CONTINUED)

### Members

The Group has been actively recruiting new members to its shareholder base and had recruited 171 new members by 31 March 2020, taking the overall number of members to 580. Member customers contributed a full year equivalent of £32.4 million to the Group's annual revenue.

Eligible bakers and confectioners are invited to become members at a cost of £40 for 40 £1 Ordinary shares. Membership allows the customer to participate in the member rebate scheme whereby they receive a proportion of any annual member rebate based on their purchases relative to total member purchases.

A member rebate of £339,000 is proposed as a final rebate for the year ended 31 March 2020 (2019: £261,000), which will represent the highest rebate ever paid to members and follows from the record year of profitability. This represents an average rebate per shareholder of £585. The Board has carefully considered the post year end impact from COVID-19 before proposing the member rebate.

### COVID-19

The Global COVID-19 pandemic had a limited effect on the results for the year ended 31 March 2020. The effects of the pandemic have been felt in the period since 31 March 2020. These include reduced demand, excess capacity and a disruption to supply chain and working practices. Prompt action was taken to furlough staff, cease discretionary spending, reduce stock holdings and secure additional funding of £2m in the form of a bank overdraft. Operationally, social distancing

measures were implemented and remote working instigated for those that could work from home.

As an essential supplier to the food industry, BAKO operated throughout the lockdown period ensuring continuity of supply to its customers, many of whom form a vital part of their local communities. Initiatives such as online sales direct to consumers were launched in response to scarcity of staple goods in supermarkets. BAKO extended their appreciation for the work carried out by NHS staff by gifting products to front line staff who were working tirelessly throughout the lockdown and beyond.

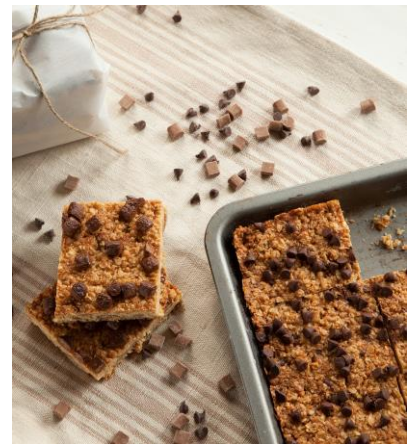
### Financial Reporting

During the year under review the Group transitioned from reporting under United Kingdom Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS). The financial results for the prior year have therefore been restated.

### Future Developments

During the year the Group undertook a review of its Purpose, Vision and Mission and these will form the basis of the future strategy of the Group. The Purpose of being a business owned by baker for bakers will be reinforced by the recruitment of new members and a strategy is being developed to reward the loyalty of members by supplementing the rebate scheme with other services.

The short-term focus for management has been to adjust the Group's cost base following the COVID-19 pandemic. The Government's Coronavirus Job Retention Scheme has helped



reduce costs during the period of lockdown and Management are confident that trade will gradually return to levels seen before the outbreak. Operational efficiencies realised during the period of lockdown will be implemented on a longer-term basis which will further reduce the Group's cost base.

A key element to delivering the Group's strategy is to digitise key areas of the business. The first steps in this strategy were completed with the implementation of Electronic Point of Delivery (EPOD) and the launch of a Group wide website ([www.bako.co.uk](http://www.bako.co.uk)). Further progress will be made over the next year as the Group designs and develops a Group wide Enterprise Resource Planning (ERP) system which will enhance reporting for colleagues and customers. The Group's regional online ordering platforms will be consolidated into one National ordering platform.

The Group continues to measure its efficiencies against challenging targets and BRC approved quality systems, so providing the best possible service to our customers. All three divisions hold the BRC accreditation at Grade A or above.

# 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:

### COVID-19

Demand for the Group's products and working practices have been impacted by the COVID-19 pandemic. The recovery of demand for the Group's products has been encouraging, particularly amongst its core customer base. The Group believes the demand for its products will gradually recover to pre-COVID levels. Different customer segments will experience different rates of recovery and the Group will focus its efforts accordingly. Whilst the future impact of the pandemic on human health remains uncertain, the Group has put in place home working where possible and implemented safe working practices for those that remain in the workplace. Travel by colleagues has been reduced to essential travel only and, as far as possible, external visitors have been blocked from attending sites.

### Strategic

Consumer spending is expected to fall as the Country enters a recession and this will compound the pre-COVID-19 structural changes that were being experienced on the high street. There are some positive signs that consumers are shopping more local however, more data is required to before any strategic decisions can be taken. Whether the pre-COVID-19 trends experienced in the free-from range of products continue in popularity remains to be seen. The Group meets frequently with manufacturers to ensure innovative products are available for its customers in time to capitalise on trends.

### Competition

Customer retention and competitive purchasing remain key risks for the group. Focus remains on ensuring prices are at the best commercial rates, with a quality service to ensure high levels of customer retention. Focus has been placed on continually improving commercial terms negotiated with suppliers to ensure the Group's offering remains competitive.

### Operational

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. The uncertainty surrounding Brexit remains a key risk for the supply of ingredients into the United Kingdom and the Group is working closely with its suppliers, nearly all of whom have a base in the United Kingdom, to ensure products are available in the lead up to, and after Brexit.

### IT

Data security and integrity of all aspects of the IT platform comes under ever increasing threats from cyber-attacks. The Group has implemented industry leading firewall and anti-virus software and continuously trains its employees on cyber security. Legacy ERP systems mean there is an ever-increasing reliance on a declining pool of consultants which expedites the need to modernise systems.

## STRATEGIC REPORT (CONTINUED)

### Market

The Group mitigates the risk of fluctuating commodity prices by entering into forward contracts for its largest commodities. Forthcoming changes in allergen labelling regulations will have a significant impact on the compliance burden faced by our customers and will undoubtedly increase their cost base. The Group will continue to assist its customers with appropriate and informative product specifications.

### 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. Reducing the overhead cost has increased net profitability which in turn enables the Group to price products more aggressively when required.



# STRATEGIC REPORT (CONTINUED)

## Energy Consumption

The table below shows the energy consumed by the Group during the financial year ended 31 March 2020 in kilowatt hours (kWh) and tonnes of carbon dioxide (tCO<sub>2</sub>e).

Utility and Scope Consumption	kWh	tCO <sub>2</sub> e
Grid supplied electricity (scope 2)	2,610,993	667.37
Gaseous and other fuels (scope 1)	107,612	19.79
Transportation (scope 1 & 2)	25,874,401	6,330.28
<b>Total</b>	<b>28,593,006</b>	<b>7017.44</b>

Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet. Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day to day business operations. These operations also include some electric vehicle charging not accounted for in the transportation emissions.

### Intensity metrics

The Group's key performance indicators for measuring the intensity of consumption are tonnes of carbon dioxide (tCO<sub>2</sub>e) per million of revenue and kilogrammes of CO<sub>2</sub>e consumed to transport a tonne of product over a distance of one kilometre (kgCO<sub>2</sub>e / TK).

Intensity metric	
tCO <sub>2</sub> e / £m of revenue	57.35
kgCO <sub>2</sub> e / TK	11.54

### Energy efficiency

The Group is committed to year on year improvements in its operational energy efficiency. As such the Group is in the process of developing its long-term sustainability strategy. Measures ongoing and undertaken during the financial year are as follows:

#### Route planning improvements

The Group has implemented route planning software in operations to ensure that journeys taken utilise the most efficient route possible and fuel consumption and related emissions are minimised, aiding our efforts to help reduce air pollution.

#### Renewable energy procurement

All of our purchased energy is generated from renewable sources through our procurement contract with Haven Power.

#### Recycling

We have taken steps to reduce the amount of non-recyclable waste produced, through the introduction of more sustainable consumables such as paper straws and food trays. We are also trialling the use of metal cages for product transportation to reduce the amount of single use plastic used for transporting products.

#### Water efficiency improvements

We are proud to say that we now use recycled rainwater exclusively for all our wagon washing operations across the group. This not only reduces the number of chemicals entering the local environment from treated water, but also reduces the energy required for the provision of treated water to our sites.

## STRATEGIC REPORT (CONTINUED)

### Corporate governance

The Board of Directors strive to keep pace with best practice and guidance on corporate governance. The Board is made up of five member directors (eligible by virtue of being a shareholder) and three independent non-executive directors.

During the year the Board undertook a performance evaluation where each Director was asked to complete a questionnaire on the performance of the Board and sub committees. Responses to most questions were favourable but a gap was identified for a position of Senior Non-Executive Director, following which Dianne Walker was appointed to the role. The Directors convene 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.

The committee appoints the internal and external auditors and reviews the scope and findings of their reports. The Group uses a risk-based approach to areas of focus for internal audit; the annual scope is agreed in advance by the Audit Committee and the Executive Management Team, with due consideration of changing circumstances during the year.

#### 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. The committee has made significant progress in embedding risk in the strategic and operational decision making of the Group and will seek to further refine the risk management framework.

#### 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 practise of the Group reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.

The committee is also responsible for making recommendations to the Board in respect of the remuneration policy for the Chairman, Directors and Executive Management Team. The committee also has an oversight of the remuneration arrangements for the direct reports to 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, and for making recommendations on the composition of the Board and Executive Management Team.

The committee ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. During the year the committee oversaw the appointment of two independent non-executive directors.

## STRATEGIC REPORT (CONTINUED)

### 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.

### Members of Committees

The current members of the Committees are as follows:

		Attendance
Audit Committee (3 meetings)	D Walker – Chair D Hindley A Moore	3 3 2
Risk Committee (3 meetings)	D Hindley – Chair D Walker J Hill (up to 17 December 2020)	3 3 3
Remuneration Committee (3 meetings)	J Hill – Chair (from 17 December 2020) D Yates A Moore	N/A 3 3
Nominations Committee (2 meetings)	A Moore – Chair D Yates J Hall (from 17 December 2020)	1 2 2

The Board of Directors met on eleven occasions during the year, attendance of the Directors at these meetings is set out below.

<b>Numbers of meetings attended:</b>	<b>No.</b>	<b>%</b>
J Hall	10	91
J Hill	11	100
D Hindley	10	91
A Moore	9	82
D Yates	9	82
D Walker	11	100
D Ghee (appointed 1 October 2019)	6	100
A Sutton (appointed 1 October 2019)	6	100
P Marshall (resigned 18 December 2019)	8	89

## STRATEGIC REPORT (CONTINUED)

### Section 172 statement

As a Board we have always been committed to long-term sustainable growth and we have underpinned this with high standards of Corporate Governance over the last four years. The Group's purpose of 'a co-operative business, owned by bakers for bakers, sustaining the British baking industry for future generations' is at the heart of any decisions made. Our business can only grow, and our members can only prosper over the long-term if we understand and respect the views of our customers, colleagues, suppliers and the communities in which we operate.

### Our customers

Customers are always front of mind when taking decisions. Customers have the opportunity to raise issues with each of the touch points they have with the Group namely, Field Sales Representatives, Telesales Representatives and Delivery Staff, all of whom can report feedback to the Group's Executive Management Team. Any information that needs Board level attention is included in the Group Chief Executive's monthly report to the Board.

### Our colleagues

Each depot holds quarterly colleague committee meetings where representatives from each department can raise any issues or initiatives. The meetings are attended by a member of the Executive Management Team and any material matters are escalated to Board via the Group Chief Executive Officer. Every person employed by the Group has an annual appraisal and anyone leaving the Group has an exit interview, both of which provide an opportunity for colleagues to discuss their views.

Information about matters of concern to colleagues 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.

### Our suppliers

The Group's commercial team hold meetings with suppliers regularly where all supply matters are discussed. The largest suppliers are invited to attend quarterly meetings with the Executive Management Team to review performance and agree objectives for the future.

### Our members

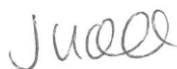
The Group's shareholders are also customers of the Group by virtue of the eligibility to become a member as set out in the Articles of Association. Member engagement is therefore frequent as part of their trading relationship with the Group. Members also have the opportunity to engage with Executive Directors at industry events and the Annual General Meeting.

The Board measures the success of its shareholder engagement by the consistent support received for all resolutions proposed by the Company in Annual General Meetings over the past three years.

### Our communities and society

Contact with local communities is made by Group colleagues living in the locality of the depots. In February 2020 the Group undertook an exercise to identify the impact of its operations on society using the United Nations Sustainable Development Goals. Findings from this exercise will form the basis for the Group's sustainability strategy.

On behalf of the Board



J Hall  
Director  
28 July 2020

# DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 March 2020.

## 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	Chairman	
J Hill		
A Moore		
D Hindley		
D Yates		
D Walker	Senior Independent Non-Executive Director	
D Ghee	Independent Non-Executive Director	(appointed 1 October 2019)
A Sutton	Independent Non-Executive Director	(appointed 1 October 2019)
P Marshall		(resigned 18 December 2019)

## Results and dividends

The profit after taxation for the year amounted to £1.9 million (2019: £1.2 million restated). The results for the year are set out on page 19. No ordinary dividends were paid. Historically, the Company has paid rebates to shareholder's based on their spend with the Group relative to total shareholder spend to reward shareholder loyalty. The final rebate proposed for the year ended 31 March 2020 is £339,000 (2109: £261,000).

## 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. The Group does not use hedge accounting.

### *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.

### Matters of strategic importance

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.

### Supplier payment policy

It is the Group's normal practice to make payments to suppliers in line with agreed terms, provided that the supplier has performed in accordance with relevant terms and conditions. Trade payables of the Group at the year end were equivalent to 67 days of purchases (2019: 62 day's). The increase was a result of cash preservation measures taken in response to the COVID-19 pandemic.

### Stakeholder engagement

The Group's engagement with customers, colleagues, suppliers and members is detailed in the Section 172 statement within the Strategic Report.

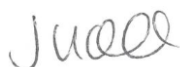
### Energy consumption

Information relating to the Group's energy consumption is included in the Strategic Report.

### 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  
28 July 2020

# DIRECTORS' RESPONSIBILITIES 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) 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 year. 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 IFRSs as adopted by the European Union and applicable United Kingdom accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the BAKO North Western (Group) Limited website.

# 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 2020 which comprise the Group Statement of Comprehensive Income, Consolidated & Company Statement of Financial Position, Consolidated & Company Statement of Changes in Equity, Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (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 of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements 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 the 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 15, 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.

*RSM UK Audit LLP*

**Ian Taylor (Senior Statutory Auditor)**  
**for and on behalf of RSM UK Audit LLP, Statutory Auditor**

Chartered Accountants

Bluebell House, Brian Johnson Way, Preston, Lancashire, PR2 5PE

30 July 2020

# GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

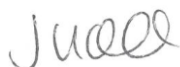
	Note	2020 £'000	2019 As restated £'000
Revenue	2	122,365	120,881
Cost of sales		(98,450)	(97,117)
<b>Gross profit</b>		<b>23,915</b>	<b>23,764</b>
Administrative expenses		(21,171)	(21,919)
<b>Operating Profit</b>		<b>2,744</b>	<b>1,845</b>
Finance costs	8	(310)	(426)
<b>Profit before taxation</b>		<b>2,434</b>	<b>1,419</b>
Income tax	9	(576)	(255)
<b>Profit and total comprehensive income for the year</b>		<b>1,858</b>	<b>1,164</b>

# GROUP STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		2020	2019	2018
			As	As
			restated	restated
	Note	£'000	£'000	£'000
<b>Assets</b>				
Goodwill	10	6,089	6,089	6,095
Intangible assets	10	132	117	237
Property, plant and equipment	11	11,500	13,565	15,118
Investment properties	12	-	950	950
Deferred tax asset	14	72	103	69
<b>Total non-current assets</b>		<b>17,793</b>	<b>20,824</b>	<b>22,469</b>
Inventories	15	7,318	6,577	5,500
Trade and other receivables	16	12,916	12,334	12,394
Cash and cash equivalents		2,806	2,793	2,408
<b>Total current assets</b>		<b>23,040</b>	<b>21,704</b>	<b>20,842</b>
<b>Total assets</b>		<b>40,833</b>	<b>42,528</b>	<b>43,311</b>
<b>Liabilities</b>				
Trade and other payables	17	(20,665)	(19,441)	(18,014)
Loans and other borrowings	18	(2,629)	(4,922)	(6,976)
Lease liabilities	19	(1,841)	(2,213)	(1,873)
<b>Total current liabilities</b>		<b>(25,135)</b>	<b>(26,576)</b>	<b>(26,576)</b>
Loans and other borrowings	18	(900)	(1,706)	(2,662)
Long-term provisions	20	(720)	(661)	(363)
Lease liabilities	19	(3,778)	(5,509)	(6,703)
Deferred tax liability	14	(275)	(327)	(402)
<b>Total non-current liabilities</b>		<b>(5,673)</b>	<b>(8,203)</b>	<b>(10,130)</b>
<b>Total liabilities</b>		<b>(30,808)</b>	<b>(34,779)</b>	<b>(36,993)</b>
<b>Net assets</b>		<b>10,025</b>	<b>7,749</b>	<b>6,318</b>
<b>Equity</b>				
Share capital	22	28	23	23
Revaluation reserve	24	925	1,000	1,073
Merger reserve	24	50	50	50
Share-based payment reserve	24	680	267	-
Capital redemption reserve	24	7	5	5
Retained earnings	24	8,335	6,404	5,167
<b>Equity attributable to owners of the Group</b>		<b>10,025</b>	<b>7,749</b>	<b>6,318</b>

These Financial Statements were approved by the Board of Directors and authorised for issue on 28 July 2020 and signed on its behalf by:



J Hall  
 Director  
 Company registered number: 08802727

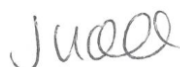
# COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £'000	2019 As restated £'000	2018 As restated £'000
<b>Assets</b>				
Investments	13	12,218	12,218	12,408
Intangible assets	10	107	-	-
Deferred tax asset	14	4	4	4
<b>Total non-current assets</b>		<b>12,329</b>	<b>12,222</b>	<b>12,412</b>
Trade and other receivables	16	2,161	1,129	157
Cash and cash equivalents		113	3	2
<b>Total current assets</b>		<b>2,274</b>	<b>1,132</b>	<b>159</b>
<b>Total assets</b>		<b>14,603</b>	<b>13,354</b>	<b>12,571</b>
<b>Liabilities</b>				
Trade and other payables	17	(11,259)	(10,440)	(9,976)
Loans and other borrowings	18	(800)	(800)	(800)
<b>Total current liabilities</b>		<b>(12,059)</b>	<b>(11,240)</b>	<b>(10,776)</b>
<b>Net current liabilities</b>		<b>(9,785)</b>	<b>(10,108)</b>	<b>(10,617)</b>
Borrowings	18	(900)	(1,700)	(2,500)
<b>Total non-current liabilities</b>		<b>(900)</b>	<b>(1,700)</b>	<b>(2,500)</b>
<b>Total liabilities</b>		<b>(12,959)</b>	<b>(12,940)</b>	<b>(13,276)</b>
<b>Net assets/(liabilities)</b>		<b>1,644</b>	<b>414</b>	<b>(705)</b>
<b>Equity</b>				
Share capital	22	28	23	23
Share-based payment reserve	24	680	267	-
Capital redemption reserve	24	7	5	5
Retained earnings	24	929	119	(733)
<b>Equity/ (deficit) attributable to owners of the Company</b>		<b>1,644</b>	<b>414</b>	<b>(705)</b>

The Company's profit for the year was £812,000 (2019: profit of £852,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 28 July 2020 and signed on its behalf by:



J Hall  
Director  
Company registered number: 08802727

# GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital £'000	Revaluation Reserve £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 April 2018 as reported	23	1,073	50	-	5	5,357	6,508
Effects of transition to IFRS	-	-	-	-	-	(190)	(190)
<b>As at 1 April 2018 restated</b>	<b>23</b>	<b>1,073</b>	<b>50</b>	<b>-</b>	<b>5</b>	<b>5,167</b>	<b>6,318</b>
Profit for the year	-	-	-	-	-	1,164	1,164
Transfers	-	(73)	-	-	-	73	-
Credit to equity for equity settled share based payments	-	-	-	267	-	-	267
<b>As at 31 March 2019 restated</b>	<b>23</b>	<b>1,000</b>	<b>50</b>	<b>267</b>	<b>5</b>	<b>6,404</b>	<b>7,749</b>
Profit for the year	-	-	-	-	-	1,858	1,858
Transfers	-	(75)	-	-	-	75	-
Credit to equity for equity settled share-based payments	-	-	-	413	-	-	413
Issue of shares	7	-	-	-	-	-	7
Repurchase and cancellation of shares	(2)	-	-	-	2	(2)	(2)
<b>As at 31 March 2020</b>	<b>28</b>	<b>925</b>	<b>50</b>	<b>680</b>	<b>7</b>	<b>8,335</b>	<b>10,025</b>

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital £'000	Share- based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
<b>As at 1 April 2018</b>	<b>23</b>	<b>-</b>	<b>5</b>	<b>(733)</b>	<b>(705)</b>
Profit for the year	-	-	-	852	<b>852</b>
Credit to equity for equity settled share based payments	-	267	-	-	<b>267</b>
<b>As at 31 March 2019</b>	<b>23</b>	<b>267</b>	<b>5</b>	<b>119</b>	<b>414</b>
Profit for the year	-	-	-	812	<b>812</b>
Credit to equity for equity settled share-based payments	-	413	-	-	<b>413</b>
Issue of shares	7	-	-	-	<b>7</b>
Repurchase and cancellation of shares	(2)	-	2	(2)	<b>(2)</b>
<b>As at 31 March 2020</b>	<b>28</b>	<b>680</b>	<b>7</b>	<b>929</b>	<b>1,644</b>

# GROUP STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 As restated £'000
<b>Net cash flow from operating activities</b>		
Profit for the year after tax	1,858	1,164
<b>Adjustments for:</b>		
Finance costs	310	426
Income tax expense	576	255
Depreciation and impairment	2,881	2,866
Amortisation and impairment of intangible assets	95	131
(Gain) / loss on disposal of PPE	(5)	6
Share-based payments	413	267
(Decrease) / increase in provisions	(71)	428
<b>Working capital adjustments</b>		
Increase in inventories	(741)	(1,077)
(Decrease) / increase in trade and other receivables	(692)	677
Increase in trade and other payables	1,465	850
Income taxes (paid) / received	(605)	13
<b>Net cash from operations</b>	<b>5,484</b>	<b>6,006</b>
<b>Cash flows used in investing activities</b>		
Purchase of intangible assets	(110)	(5)
Purchase of property, plant and equipment	(323)	(93)
Proceeds on disposal of property, plant and equipment	972	10
<b>Net cash from/(used in) investing activities</b>	<b>539</b>	<b>(88)</b>
<b>Cash flows used in financing activities</b>		
Purchase of own shares for cancellation	(2)	-
Issue of new shares	7	-
Repayment of lease liabilities	(2,613)	(2,091)
Repayments of borrowings and amounts due under finance leases	(3,099)	(3,010)
Interest paid	(303)	(432)
<b>Net cash used in finance activities</b>	<b>(6,010)</b>	<b>(5,533)</b>
<b>Net increase in cash and cash equivalents</b>	<b>13</b>	<b>385</b>
<b>Cash and cash equivalents brought forward</b>	<b>2,793</b>	<b>2,408</b>
<b>Cash and cash equivalents carried forward</b>	<b>2,806</b>	<b>2,793</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

## 1. Accounting policies

### Company information

BAKO North Western (Group) Limited ('the Company') is a private limited company 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.

### Basis of Preparation

The consolidated Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated Group Financial Statements and Company Financial Statements are presented in Sterling, generally rounded to the nearest thousand. The Financial Statements are prepared on the historical cost basis, modified to include the revaluation of freehold properties, investment properties and to include certain financial instruments at fair value.

The individual Company Financial Statements have been prepared under the Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions from the requirements of IFRS in its individual financial statements:

- IFRS 7 'Financial instruments: Disclosures' – Carrying amounts, fair values, interest income/expense and net gains/losses for each category of financial instrument, risks associated with financial instruments (including management of risks, maximum credit risk, credit quality of financial assets, analysis of financial assets past due or impaired, maturity analysis for financial liabilities, sensitivity analysis for market risks).
- IAS 1 'Presentation of Financial Statements – Inclusion of an explicit and unreserved statement of compliance with IFRS, comparative reconciliations of the opening and closing number of shares and carrying amounts of intangible assets, objectives, policies and processes for managing capital.
- IAS 7 'Statement of Cash Flows – Presentation of a Statement of Cash Flow and related notes.
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – IFRSs that will impact future periods.
- IAS 24 'Related Party Disclosures' – Compensation for key management personnel, and disclosures for transactions with wholly owned members of the Group.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement or a statement of comprehensive income for the Company alone.

### First time adoption of IFRS

In the current period the Group has adopted IFRS and the Company has adopted FRS 101. In the previous period the Group and Company financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of IFRS has been included in note 28.

### Significant new accounting policies

During the year the following new accounting standards were adopted by the Group and Company:

#### IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 to replace IAS 17 Leases. IFRS 16 is effective for periods beginning on or after 1 January 2019. The Group has initially applied IFRS 16 for the year ended 31 March 2020.

The Group has applied the fully retrospective approach, where the effect of applying IFRS 16 is restated in the prior year. The leases on transition were recognised under 'modified retrospective B', whereby the right-of-use asset was equal to the lease liability at 1 April 2018, being the present value of the remaining future minimum

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 March 2020

lease payments at the date of initial application, including any early termination or extension options if they were deemed reasonably certain to be adopted.

For new leases entered into after 1 April 2018, the right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

Right-of-use assets are depreciated over the life of the lease to which they relate.

Where leases contain non-lease components, the Group has elected to apply the practical expedient available under IFRS 16 whereby lease components are not separated from non-lease components and are accounted for together as a single lease component.

Depreciation is charged to the consolidated income statement to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index, discounted using the incremental borrowing rate ('IBR'). The IBR rates are updated annually and are applied to new leases.

Finance charges are recognised in the consolidated income statement over the period of the lease.

The Group has elected to adopt two exemptions proposed by the standard. The Group has not recognised right-of-use assets and lease liabilities for short-term leases (less than 12 months' duration) and low-value assets (usually less than £4,000).

The Company applied the practical expedient available under IFRS 16 to recognise leases ending within 12 months of the transition date as a short-term lease at the date of transition.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the expected term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

#### **Basis of Consolidation**

The consolidated Financial Statements incorporate the assets, liabilities, income and expenses of the Company and entities controlled by the Company (its subsidiaries) made up to the Company's accounting reference date. Control is achieved when the Company has the power over the investee, is exposed or has rights to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date that the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intra Group assets and liabilities, equity, income, expenses and cash flows, relating to transactions between the members of the Group, are eliminated on consolidation.

All Financial Statements are drawn up to 31 March 2020.

#### **Foreign Currencies**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### Going Concern Basis

The financial statements have been prepared on a going concern basis. The Group has net current liabilities of £2,095,000 (2019: £4,872,000) and net assets of £10,025,000 (2019: £7,749,000). The Directors have prepared projections that consider the potential impact of COVID-19 and expect the Group and Company to remain within agreed facilities and fulfil all other liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Group debts will be met as they fall due through the profitability of the subsidiaries. The invoice financing facility is due to be renewed in April 2021 as part of a 12-month rolling review. The Group manages cash flow through sweeping cash from the profitable subsidiaries and using this to support the less profitable subsidiaries such as Bako South Eastern Limited. The impact of COVID-19 has been mitigated through a reassessment of the cost base across the Group and utilising government schemes such as furloughing staff. As such the Directors consider it appropriate to continue to adopt the going concern basis in the preparation of the financial statements.

### Revenue Recognition and Rebates

Revenue represents the value of sales made to customers after deduction of discounts, sales taxes and a provision for returns. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar items. Revenue does not include sales between group companies.

Revenue is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer.

Revenue from the sale of goods is generally recognised on dispatch or delivery to customers, dependent on shipping terms. Discounts and returns are provided for as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations, historical trends and past experience.

### 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 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 goodwill and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The 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. Impairment losses are recognised immediately in profit or loss.

### Intangible Assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Software	25% straight line
Assets under construction	No amortisation

Assets under construction represent costs incurred in the development of its Enterprise Resource Planning system while it is not available for use by the Group. As the asset is not available for use it is not amortised but instead are reviewed for impairment. Amortisation of the asset will commence once development is complete and the asset is available for use by the Group.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, or at a revalued amount. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Such assets acquired in a business combination are initially recognised at their fair value at acquisition date. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

Freehold land and building	2% straight line
Plant and machinery	7% - 25% straight line
Fixtures, fittings and equipment	10% - 20% straight line
Motor vehicles	15% - 25% straight line

Freehold land is not depreciated.

Gains or losses arising on the revaluation of property, plant and equipment are recognised in the revaluation reserve. Annual transfers between the revaluation reserve and profit or loss are made to reflect the excess depreciation that has been charged in the profit and loss account which relates to the revalued asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss.

### Impairment of intangible and tangible fixed assets

At each reporting end date, the Group reviews the carrying amounts of its intangible and tangible 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).

The 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 estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 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 profit or loss.

### Investments

Investments in subsidiaries are carried at cost less impairment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials. At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

### Income tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### Current Income Tax

Current tax is based upon taxable income for the year and any adjustment to tax from previous years. Taxable income differs from net income in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The calculation uses the latest tax rates for the year that have been enacted or substantively enacted by the dates of the Statement of Financial Position.

### Deferred Tax

Deferred tax is calculated at the latest tax rates that have been substantively enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the liability method. Deferred tax liabilities and assets are not discounted. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised. Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

### Pension Costs

The Group operates a defined contribution pension scheme for employees. The annual contributions payable are charged to profit or loss.

### Share-based Compensation

Equity-settled, share-based payments are measured at fair value at the date of grant by reference to the fair value of the instrument granted using the Black Scholes model. They are expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of any revision is recognised in profit or loss, with a corresponding adjustment to equity reserves.

### Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### Trade and Other Receivables

Trade and other receivables, and amounts owed by group undertakings, are classified as loans and receivables and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) less provisions for impairment.

Provisions for impairment of trade receivables are recognised for expected lifetime credit losses using the simplified approach. Impairment reviews of other receivables use the general approach whereby twelve month expected losses are provided for and lifetime credit losses are only recognised where there has been a significant increase in credit risk.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### Trade and Other Payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method. This method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

### Borrowings

Interest-bearing overdrafts and invoice discounting facilities are classified as other liabilities. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with the relevant borrowings. Borrowings are subsequently stated at amortised cost and finance charges are charged to profit or loss over the term of the instrument using an effective rate of interest. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

### Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

### Critical Accounting Estimates and Judgements

The preparation of these Financial Statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each Statement of Financial Position date and the reported results. Actual results could differ from these estimates. Information about such judgements and estimations is contained in individual accounting policies.

#### **Accounting Estimates**

The key sources of estimation uncertainty, that could cause an adjustment to be required to the carrying amount of an asset or liability within the next accounting period, are outlined below:

##### *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 year.

##### *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.

##### *Share-based payments*

Calculating the value of the share-based payment charges has required management to make a number of estimations regarding the future value of the shares issued. Any difference between these estimations and the final value of the shares at redemption would lead to a charge or credit against retained earnings in the year in which the shares are redeemed.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### *Calculation of right of use assets and lease liabilities*

Determining the value of right of use assets and lease liabilities under IFRS 16 requires an estimation of the incremental cost of capital to be applied to cash flows under the terms of the lease, where the interest rate implicit in the lease cannot be readily determined. A change in these estimates would lead to a change in the values recognised in respect of right of use assets and lease liabilities, and would result in a change to values charged to profit and loss in respect of these items in the year.

### **Accounting Judgements**

In the course of preparing these financial statements, other than judgements involving estimates and assumptions as above, no judgements have been made in the process of applying the Group's accounting policies that would have a material impact on the amounts recognised in the financial statements.

### **2. Revenue**

The Group's revenue is derived from a single source, being the sale of food and ancillary products and services. All revenue is derived from customers in the United Kingdom.

### **3. Operating Profit**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<hr/>		
This is stated after charging/(crediting):		
Exchange gains	(48)	(71)
Inventories recognised as an expense	100,505	97,117
Share based payments	413	267
Depreciation of owned property, plant and equipment	521	532
Depreciation of fixed assets held under finance leases	46	60
Depreciation of right of use assets	2,314	2,141
Impairment of fixed assets	-	133
(Profit) / loss on disposal of property, plant and equipment	(5)	6
Amortisation of intangible assets	95	125
Operating lease charges for short term and low value leases	197	388
<i>Non-recurring costs</i>		
Site closure costs	-	130
Impairment of fixed assets arising from site closure	-	60
<hr/>		

The non-recurring costs in the prior year relate to the closure of Anglian Bakery and Catering Services Limited's (subsequently renamed to BAKO Group Limited) operating depot at Norwich.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 4. Auditor's Remuneration

	2020	2019
	£'000	£'000
<i>Fees payable to the Company's auditor and associates</i>		
Audit of the financial statements of the Group and Company	4	4
Audit of the financial statements of the subsidiaries	48	45
<b>Total audit fees</b>	<b>52</b>	<b>49</b>
- Audit-related assurance services	-	9
- Taxation compliance services	-	10
- Internal audit services	16	4
- Other non-audit related services	43	-

### 5. Employee Numbers and Costs

The average monthly number of people (including Directors) employed by the Group was:

	Group		Company	
	2020	2019	2020	2019
	Number	Number	Number	Number
Selling	66	64	2	-
Distribution	108	108	-	-
Warehousing	107	98	-	-
Office and management	65	84	29	31
<b>Total</b>	<b>346</b>	<b>354</b>	<b>31</b>	<b>31</b>

The aggregate remuneration of all employees, including Directors, comprises:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	9,838	10,576	1,403	1,771
Social security costs	980	1,019	160	179
Other pension costs	557	544	108	101
Share-based payments	413	267	413	267
<b>Total</b>	<b>11,788</b>	<b>12,406</b>	<b>2,084</b>	<b>2,318</b>

### 6. Directors' Remuneration

	2020	2019
	£'000	£'000
Remuneration for qualifying services	165	157



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 7. Share-Based Payment Charges

	2020	2019
	£'000	£'000
Share-based payment expense (note 24)	413	267

The Group operates an equity-settled share-based payment scheme for certain employees who are considered key to the operations of the Group. These employees are issued B Ordinary shares by the Company at a price equal to the nominal value of the shares. The conditions under which the shares are redeemable and their value at redemption are set out in the Company's Articles of Association. A share-based payment charge amounting to £413,000 was recognised in profit and loss during the year (2019: £267,000), with a corresponding credit to equity. No new B Ordinary shares were issued to new or existing scheme participants in the year.

The Group is unable to directly measure the fair value of employee services received. Instead the fair value of the B Ordinary shares granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to the scheme operated by the Group.

### 8. Interest Payable and similar expenses

	2020	2019
	£'000	£'000
<b>Interest of financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	27	41
Interest on finance leases and hire purchase contracts	9	2
Interest on invoice finance arrangements	67	118
Interest on right of use leases	184	227
Interest on other loans	23	38
<b>Total</b>	<b>310</b>	<b>426</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2020

## 9. Taxation

	2020 £'000	2019 £'000
<b>Current tax</b>		
Current period – UK corporation tax	635	431
Adjustments in respect of prior periods	(39)	(67)
<b>Total current tax</b>	<b>596</b>	<b>364</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(64)	(25)
Adjustments in respect of prior periods	14	(84)
Impact of change in tax rate	30	-
<b>Total deferred tax</b>	<b>(20)</b>	<b>(109)</b>
<b>Total tax charge</b>	<b>576</b>	<b>255</b>

### Factors Affecting the Tax Charge

Tax is assessed for the period at a rate different to the UK corporation tax rate for the reasons below:

	2020 £'000	2019 £'000
<b>Profit before tax</b>	<b>2,434</b>	<b>1,419</b>
Tax charge at 19.0% (2019 – 19.0%)	462	270
<i>Adjustments relating to underlying items:</i>		
Adjustment to tax charge in respect of prior periods	(25)	(151)
Effects of expenses not deductible for tax purposes	44	60
Change in unrecognised deferred tax assets	37	30
Effect of difference in corporation tax and deferred tax rates	(20)	(5)
<i>Adjustments relating to share-based payment charges:</i>		
Effects of expenses not deductible for tax purposes	78	51
<b>Total tax expense</b>	<b>576</b>	<b>255</b>

During the year the main rate of UK corporation tax was 19%. No change in the main rate of UK corporation tax has been substantively enacted at the statement of financial position date and accordingly the Group and Company's deferred tax balances as at 31 March 2020 has been calculated at 19%.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 10. Intangible assets

Group	Goodwill	Software	Assets under construction	Total
Cost	£'000	£'000	£'000	£'000
As at 1 April 2018	8,686	543	-	9,229
Additions	-	5	-	5
Disposals	(170)	(46)	-	(216)
As at 1 April 2019	<b>8,516</b>	<b>502</b>	-	<b>9,018</b>
Additions	-	24	86	110
<b>As at 31 March 2020</b>	<b>8,516</b>	<b>526</b>	<b>86</b>	<b>9,128</b>

#### Accumulated amortisation and impairment

As at 1 April 2018	2,591	306	-	2,897
Charge for the year	-	125	-	125
Impairment	6	-	-	6
Disposals	(170)	(46)	-	(216)
As at 1 April 2019 (restated)	<b>2,427</b>	<b>385</b>	-	<b>2,812</b>
Charge for the year	-	95	-	95
<b>As at 31 March 2020</b>	<b>2,427</b>	<b>480</b>	-	<b>2,907</b>

#### Carrying amount

<b>As at 31 March 2020</b>	<b>6,089</b>	<b>46</b>	<b>86</b>	<b>6,221</b>
As at 31 March 2019 (restated)	6,089	117	-	6,206
As at 1 April 2018 (restated)	6,095	237	-	6,332

Intangible assets at 31 March 2019 have been restated for the impact of transition to IFRS. The adjustment to the prior year figures has been explained in note 28.

Goodwill associated with the acquisition of the Sandco 1187 Ltd group in August 2015 has a cost bought forward of £6,769,000 and accumulated amortisation brought forward of £871,000. The carrying amount of the goodwill associated with this acquisition is £5,898,000 (2019: £5,898,000).

Goodwill associated with the acquisition of Bako South Eastern business has a cost of £1,347,000 and accumulated amortisation brought forward of £1,158,000. The carrying amount of the goodwill is £189,000 (2019: £189,000).

Purchased goodwill has a cost of £400,000 accumulated amortisation brought forward of £400,000. The carrying amount of the goodwill is £nil (2019: £nil).

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected pre-tax discounted cash flows, discounted at pre-tax rates reflecting the Group's weighted average cost of capital. Key assumptions contained in the value in-use calculations include the future revenues, margins achieved, and the discount rates applied.

Value-in-use calculations are prepared using management's approved forecasts covering a 10-year period. Forecasts indicate management's expectation of the future performance of the cash generating units for the year ended 31 March 2021 and the expected growth rates and margins for the years thereafter. The forecasts are based on the current performance of each cash generating unit in the year adjusted for management's knowledge of the market environment and future business plans.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### For the year ended 31 March 2020

#### 10. Intangible assets (continued)

No impairment has been recognised in respect of the carrying value of goodwill in the year, as the recoverable amount of goodwill exceeds the carrying value for each of the cash generating units. Sensitivity analysis on the key variables in the value in use models suggests that in no reasonable scenario does the value in use of each CGU approach its carrying value and as such the Directors consider the probability of impairment to be remote.

Company	Software	Assets under construction	Total
Cost	£'000	£'000	£'000
As at 1 April 2019	-	-	-
Additions	24	86	110
<b>As at 31 March 2020</b>	<b>24</b>	<b>86</b>	<b>110</b>
<b>Accumulated amortisation and impairment</b>			
As at 1 April 2019	-	-	-
Charge for the year	3	-	3
<b>As at 31 March 2020</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Carrying amount</b>			
<b>As at 31 March 2020</b>	<b>21</b>	<b>86</b>	<b>107</b>
As at 31 March 2019	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 11. Property, plant and equipment

Group	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
As at 1 April 2018 as reported	5,351	5,085	253	443	11,132
Adjustment for impact of IFRS 16	2,405	889	-	8,542	11,836
<b>As at 1 April 2018 restated</b>	<b>7,756</b>	<b>5,974</b>	<b>253</b>	<b>8,985</b>	<b>22,968</b>
Additions	363	126	3	838	1,330
Disposals	-	(1,095)	-	(764)	(1,859)
Reclassification	-	56	(56)	-	-
<b>As at 31 March 2019</b>	<b>8,119</b>	<b>5,061</b>	<b>200</b>	<b>9,059</b>	<b>22,439</b>
Additions	-	332	17	484	833
Disposals	-	(30)	-	(234)	(264)
<b>As at 31 March 2020</b>	<b>8,119</b>	<b>5,363</b>	<b>217</b>	<b>9,309</b>	<b>23,008</b>

#### Amortisation and impairment

As at 1 April 2018 as reported	402	3,688	50	260	4,400
Adjustment for impact of IFRS 16	1,082	294	-	2,074	3,450
<b>As at 1 April 2018 restated</b>	<b>1,484</b>	<b>3,982</b>	<b>50</b>	<b>2,334</b>	<b>7,850</b>
Depreciation charged in the year	723	522	14	1,474	2,733
Impairment losses	-	74	-	59	133
Eliminated in respect of disposals	-	(1,088)	-	(754)	(1,842)
<b>As at 31 March 2019</b>	<b>2,207</b>	<b>3,490</b>	<b>64</b>	<b>3,113</b>	<b>8,874</b>
Charge for the year	766	546	36	1,533	2,881
Disposals	-	(30)	-	(217)	(247)
<b>As at 31 March 2020</b>	<b>2,973</b>	<b>4,006</b>	<b>100</b>	<b>4,429</b>	<b>11,508</b>

#### Carrying Amount:

<b>As at 31 March 2020</b>	<b>5,146</b>	<b>1,357</b>	<b>117</b>	<b>4,880</b>	<b>11,500</b>
As at 31 March 2019 (restated)	5,912	1,571	136	5,946	13,565
As at 31 March 2018 (restated)	6,272	1,992	203	6,651	15,118

The Company has no tangible fixed assets at 31 March 2020 or 31 March 2019.

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

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Plant and machinery	200	231	-	-
Computers	-	15	-	-
	<b>200</b>	<b>246</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 11. Property, plant and equipment (continued)

The Group adopted IFRS 16 on 1 April 2018 and as a result, recognised a right of use asset for leases (see note 28 for further information). The net book value of the right of use asset comprised:

	£'000
Opening right of use asset on transition at 1 April 2018	8,386
Cost movement in year	1,237
Depreciation movement in year	(2,141)
<b>Net book value at 31 March 2019</b>	<b>7,482</b>
Cost movement in year	468
Depreciation movement in year	(2,274)
<b>Net book value at 31 March 2020</b>	<b>5,676</b>

	2020 £'000	2019 £'000
<b>Depreciation charge in respect of:</b>		
Assets held under finance leases and hire purchase contracts	46	60
Right of use assets	2,314	2,141

### 12. Investment Property

	Group £'000
As at 1 April 2019	950
Disposals	(950)
<b>As at 31 March 2020</b>	<b>-</b>

Investment property comprising freehold land was disposed of on 17 May 2019 for total consideration of £948,000 net of selling costs.

### 13. Investments

	2020 £'000	Company 2019 £'000
Investment in subsidiaries	12,218	12,218

Details of the Company's subsidiaries, all of which are registered in England and Wales and whose registered office address is the same as that for the Company, at 31 March 2020 are as follows:

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 13. Investments (continued)

Registered Office	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	
BAKO Group Limited (formerly Anglian Bakery and Catering Suppliers Limited)	Wholesaler of bakery products	100	
Bakers (Area 1) Limited	Wholesaler of bakery products		100
Sandco 1187 Limited	Holding company	100	
BAKO Northern (Holdings) Limited	Property rental		100
LBBA Limited	Dormant	100	
BAKO Scotland Limited	Dormant		100
BAKO Limited	Dormant	100	
Anglian Bakery and Catering Suppliers Limited (incorporated 16 March 2020)	Dormant	100	

BAKO Scotland Limited, LBBA Limited, BAKO Limited and Anglian Bakery and Catering Suppliers Limited, all of which are dormant companies, are exempt from audit in accordance with s480 Companies Act 2006.

### 14. Deferred Tax

The following are the deferred tax liabilities and assets of the Group and Company, and movements thereon.

Group	Liabilities		Assets	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Short term timing differences	(275)	(271)	37	75
Tax losses	-	-	4	4
Investment property	-	(65)	-	-
Other timing differences	-	9	31	24
	<b>(275)</b>	<b>(327)</b>	<b>72</b>	<b>103</b>

Company	Assets	
	2020 £'000	2019 £'000
Short term timing differences	-	-
Tax losses	4	4
Investment property	-	-
Other timing differences	-	-
	<b>4</b>	<b>4</b>

Deferred tax assets of £407,000 (2019: £370,000) for tax losses carried forward at 31 March 2020 have not been recognised because the Directors do not expect that these losses will be able to be utilised against future trading profits. The Directors expect that deferred tax assets and liabilities will be realised in more than twelve months.

### 15. Inventories

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Raw materials and consumables	27	46	-	-
Finished goods and goods for resale	7,291	6,531	-	-
Total	<b>7,318</b>	<b>6,577</b>	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2020

## 16. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	10,718	9,913	-	-
Corporation tax receivable	296	406	294	213
Amounts due from Group undertakings	-	-	1,800	800
Other receivables	167	65	12	5
Prepayments and accrued income	1,735	1,950	55	111
<b>Total</b>	<b>12,916</b>	<b>12,334</b>	<b>2,161</b>	<b>1,129</b>

### Ageing of Past Due but Not Impaired Receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Less than 1 month	2,175	1,454	-	-
1–2 months	98	76	-	-
2–3 months	17	13	-	-
Over 3 months	26	10	-	-
<b>Total</b>	<b>2,316</b>	<b>1,553</b>	-	-

The Group applies the IFRS 9 simplified approach when measuring the trade receivable expected credit losses. The approach uses a lifetime expected loss allowance. To measure the expected credit losses trade receivables have been measured on the days past due.

The expected loss rates were initially based on adoption on the historical credit losses experienced over the last five years and are updated where expectations of credit losses change. Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. Impairment losses recognised in relation to trade receivables were £216,000 at 31 March 2020 (2019 – £176,000).

Amounts due from group undertakings are subject to an assessment of expected lifetime credit losses under IFRS 9 but unlike under the simplified approach used for trade receivables, amounts owed by group undertakings are assessed using lifetime expected impairment losses. There is not considered to be an issue with the recoverability of these balances.

## 17. Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	18,025	16,388	66	-
Amounts due to Group undertakings	-	-	10,563	9,883
Corporation tax payable	718	837	-	-
Other tax and social security	476	259	-	-
Other payables	128	312	8	29
Provisions	-	130	-	-
Accruals and deferred income	1,318	1,515	622	528
<b>Total</b>	<b>20,665</b>	<b>19,441</b>	<b>11,259</b>	<b>10,440</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2020

## 18. Borrowings

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<i>Falling due in less than one year</i>				
Bank loans and overdrafts	200	200	200	200
Loan notes	600	600	600	600
Invoice finance	1,823	3,968	-	-
Obligations under finance leases	6	154	-	-
<b>Total</b>	<b>2,629</b>	<b>4,922</b>	<b>800</b>	<b>800</b>

<i>Falling due in more than one year</i>				
Bank loans	900	1,100	900	1,100
Loan notes	-	600	-	600
Obligations under finance leases	-	6	-	-
<b>Total</b>	<b>900</b>	<b>1,706</b>	<b>900</b>	<b>1,700</b>

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank loans	1,100	1,300	1,100	1,300
Loan notes	600	1,200	600	1,200
Invoice finance	1,823	3,968	-	-
Obligations under finance leases	6	160	-	-
<b>Total</b>	<b>3,529</b>	<b>6,628</b>	<b>1,700</b>	<b>2,500</b>
Payable within one year	2,629	4,922	800	800
Payable after one year	900	1,706	900	1,700

A loan from HSBC Bank Plc of £2,000,000 commenced in 2015 and is repayable in quarterly instalments until 2023. 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 2020 was £1,100,000 (2019: £1,300,000).

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 2020 was £600,000 (2019: £1,200,000) of which £96,720 (2019: £193,440) are secured by a debenture.

## 19. Lease liabilities

	2020	2019
	£'000	£'000
<i>Analysis of leases falling due:</i>		
Current: Repayable in less than one year	1,841	2,213
Non-current:		
Repayable in 1-2 years	1,480	2,042
Repayable in 2-5 years	2,298	3,078
Repayable in more than 5 years	-	389
<b>Total non-current lease liabilities</b>	<b>3,778</b>	<b>5,509</b>
<b>Total lease liabilities</b>	<b>5,619</b>	<b>7,722</b>

The Company has no lease liabilities under IFRS 16.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 20. Provisions

	Group	
	2020	2019
	£'000	£'000
Non-current dilapidations	720	661
Current dilapidations	-	130
	<b>720</b>	<b>791</b>

Movements on provisions in the year:

	Non-current dilapidations £'000	Current dilapidations £'000
At 1 April 2019	661	130
Additional provisions in the year	74	-
Utilisation of provision	(15)	(130)
<b>At 31 March 2020</b>	<b>720</b>	<b>-</b>

The Group continues to recognise a provision in respect of future dilapidation costs for its Wimbledon site. An additional £74,000 was provided during the year to ensure an adequate level of provision is held against probable costs at the end of the lease. £15,000 was utilised during the year in respect of building repairs that would otherwise have been undertaken at the end of the lease. The carrying amount of the provision at 31 March 2020 is £720,000 (2018: £661,000). No element of the provision is expected to be utilised within 12 months.

The Group recognised a provision of £130,000 in respect of dilapidation and closure costs of the Norwich site in the year ended 31 March 2019. The closure of the site was completed and this provision has been utilised in full during the year. The carrying amount at 31 March 2020 is £nil (2019: £130,000).

### 21. Financial instruments

#### *Financial Assets*

The Group held the following financial assets at amortised cost:

	Group	
	2020	2019
	£'000	£'000
Cash and cash equivalents	2,806	2,793
Trade receivables	10,718	9,912
	<b>13,524</b>	<b>12,706</b>

#### *Impairment of Financial Assets*

The Group's financial assets subject to the Expected Credit Loss model ('ECL') are trade receivables. The Group maintains a high coverage of credit insurance on its trade receivables and has a history of a low level of losses thereon. Under the credit insurance policy, insured limits are applied for on a customer account level and each customer receivable balance is compared against the limit in place. Where the customer balance exceeds or is forecast to exceed the insured limit, the Group's process for monitoring uninsured accounts is applied. Therefore, in measuring ECL, the Group has taken account of its low historic loss experience, together with its high level of credit insurance and reviewed the receivables on an item-by item basis.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 21. Financial instruments (continued)

#### *Financial Liabilities*

The Group held the following financial liabilities, classified as other financial liabilities at amortised cost:

	Group	
	2020	2019
	£'000	£'000
Trade payables	18,025	16,388
Loans and overdrafts	3,529	6,628
Other payables	128	312
	<b>21,682</b>	<b>23,328</b>

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses upon the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close cooperation with key members of staff.

#### a) **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

#### b) **Credit Risk**

Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's receivables balances. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely.

#### c) **Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Group's liquidity and cash and cash equivalents based upon expected cash flow.

### 22. Share capital

	2020	2019
	£'000	£'000
<b>Ordinary share capital, issued and fully paid</b>		
23,200 (2019: 18,000) Ordinary shares of £1 each	23	18
465 A Ordinary shares of £10 each	5	5
40 B Ordinary shares of £1 each	-	-
	<b>28</b>	<b>23</b>

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. During the year, the Company issued 6,840 ordinary shares to new shareholders at par and repurchased and cancelled 1,640 ordinary shares. The total consideration paid in respect of the repurchased ordinary shares was £1,640.

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 Company's B 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 23. Retirement benefit schemes

	2020	2019
	£'000	£'000
Charge to profit or loss in respect of defined contribution schemes	557	544

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.

### 24. 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 the shares repurchased and still held at the end of the reporting period.

#### **Merger reserve**

On 14<sup>th</sup> 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 statement of financial position.

#### **Share-based payment reserve**

The share-based payment reserve represents the aggregate charge to profit and loss relating to issued B ordinary shares that have not yet been redeemed.

#### **Profit and Loss reserves**

Cumulative profit and loss net of distributions to shareholders.

### 25. Related party transactions

#### **Remuneration of Key Personnel**

Remuneration of key management personnel, considered to be the Directors and other senior management of the Group is as follows:

	2020	2019
	£'000	£'000
Aggregate compensation	1,414	1,135

The aggregate compensation for the current year includes £413,000 in respect of share-based payment charges (2019: £267,000).

#### **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 2020 was £631,313 (2019: £662,949) and the balance owed to the Group at 31 March 2020 was £63,839 (2019: £52,355).

### 26. Events after the reporting period

The lockdown measures introduced by the UK Government during the year in response to the outbreak of COVID-19 continue to be enforced after the date of these financial statements, although some restrictions have been eased allowing the majority of the Group's customers to re-commence trading. The overall impact on the Group has not been fully realised however, the recovery of trade since April 2020 has been encouraging. The Group's forecasts show it will remain profitable for the foreseeable

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2020

## 26. Events after the reporting period (continued)

future and cash requirements are sufficiently funded by existing finance facilities. As such no adjustment has been made to these financial statements in respect of the COVID-19 outbreak.

## 27. Controlling party

The Company is owned by its shareholders, none of whom hold a majority shareholding. As a result, the directors are of the opinion that there is no ultimate controlling party.

## 28. Explanation of transition to IFRS

### Statement of comprehensive income for the year ended 31 March 2019

	Year ended 31 March 2019 As reported £'000	Transition adjustments £'000	Year ended 31 March 2019 As restated £'000
<b>Continuing Operations</b>			
Revenue	120,881	-	120,881
Cost of sales	(97,117)	-	(97,117)
<b>Gross profit</b>	<b>23,764</b>	<b>-</b>	<b>23,764</b>
Administrative expenses	(22,516)	597	(21,919)
<b>Operating Profit</b>	<b>1,248</b>	<b>597</b>	<b>1,845</b>
Finance costs	(199)	(227)	(426)
<b>Profit before taxation</b>	<b>1,049</b>	<b>370</b>	<b>1,419</b>
Income tax	(253)	(2)	(255)
<b>Total comprehensive income for the year</b>	<b>796</b>	<b>368</b>	<b>1,164</b>

Transition adjustments in the statement of comprehensive income for the year ended 31 March 2019 relate to the following adjustments:

	Recognition of leases in accordance with IFRS 16	Reversal of goodwill amortisation charge	Total
<b>Impact on</b>			
Administrative expenses	178	419	597
Finance costs	(227)	-	(227)
Income tax	-	(2)	(2)
<b>Total comprehensive income for the year</b>	<b>(49)</b>	<b>417</b>	<b>368</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 28. Explanation of transition to IFRS (continued)

#### Statement of financial position as at 1 April 2018

	As at 1 April 2018	Transition adjustments	As at 1 April 2018
	As reported £'000	£'000	As restated £'000
<b>Assets</b>			
Goodwill	6,095	-	6,095
Intangible assets	237	-	237
Property, plant and equipment	6,732	8,386	15,118
Investment properties	950	-	950
Deferred tax asset	69	-	69
<b>Total non-current assets</b>	<b>14,083</b>	<b>8,386</b>	<b>22,469</b>
Inventories	5,500	-	5,500
Trade and other receivables	12,934	-	12,934
Cash and cash equivalents	2,408	-	2,408
<b>Total current assets</b>	<b>20,842</b>	<b>-</b>	<b>20,842</b>
<b>Total assets</b>	<b>34,925</b>	<b>8,386</b>	<b>43,311</b>
<b>Liabilities</b>			
Trade and other payables	(18,014)	-	(18,014)
Loans and other borrowings	(6,976)	-	(6,976)
Lease liabilities <sub>2</sub>	-	(1,873)	(1,873)
<b>Total current liabilities</b>	<b>(24,990)</b>	<b>(1,873)</b>	<b>(26,863)</b>
<b>Net current liabilities</b>	<b>(4,148)</b>	<b>(1,873)</b>	<b>(6,021)</b>
Loans and other borrowings	(2,662)	-	(2,662)
Long-term provisions	(363)	-	(363)
Lease liabilities	-	(6,703)	(6,703)
Deferred tax liability	(402)	-	(402)
<b>Total non-current liabilities</b>	<b>(3,427)</b>	<b>(6,703)</b>	<b>(10,130)</b>
<b>Total liabilities</b>	<b>(28,417)</b>	<b>(8,576)</b>	<b>(36,993)</b>
<b>Net assets</b>	<b>6,508</b>	<b>(190)</b>	<b>6,318</b>
<b>Equity</b>			
Share capital	23	-	23
Revaluation reserve	1,073	-	1,073
Merger reserve	50	-	50
Capital redemption reserve	5	-	5
Retained earnings	5,357	(190)	5,167
<b>Equity attributable to owners of the Group</b>	<b>6,508</b>	<b>(190)</b>	<b>6,318</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 28. Explanation of transition to IFRS (continued)

#### Statement of financial position as at 31 March 2019

	As at 31 March 2019	Transition adjustments	As at 31 March 2019
	As reported £'000	£'000	As restated £'000
<b>Assets</b>			
Goodwill	5,670	419	6,089
Intangible assets	117	-	117
Property, plant and equipment	6,083	7,482	13,565
Investment properties	950	-	950
Deferred tax asset	104	(1)	103
<b>Total non-current assets</b>	<b>12,924</b>	<b>7,900</b>	<b>20,824</b>
Inventories	6,577	-	6,577
Trade and other receivables	12,334	-	12,334
Cash and cash equivalents	2,793	-	2,793
<b>Total current assets</b>	<b>21,704</b>	<b>-</b>	<b>21,704</b>
<b>Total assets</b>	<b>34,628</b>	<b>7,900</b>	<b>42,528</b>
<b>Liabilities</b>			
Trade and other payables	(19,441)	-	(19,441)
Loans and other borrowings	(4,922)	-	(4,922)
Lease liabilities	-	(2,213)	(2,213)
<b>Total current liabilities</b>	<b>(24,363)</b>	<b>(2,213)</b>	<b>(26,576)</b>
<b>Net current liabilities</b>	<b>(2,659)</b>	<b>(2,213)</b>	<b>(4,872)</b>
Loans and other borrowings	(1,706)	-	(1,706)
Long-term provisions	(661)	-	(661)
Lease liabilities	-	(5,509)	(5,509)
Deferred tax liability	(327)	-	(327)
<b>Total non-current liabilities</b>	<b>(2,694)</b>	<b>(5,509)</b>	<b>(8,203)</b>
<b>Total liabilities</b>	<b>(27,057)</b>	<b>(7,722)</b>	<b>(34,779)</b>
<b>Net assets</b>	<b>7,571</b>	<b>178</b>	<b>7,749</b>
<b>Equity</b>			
Share capital	23	-	23
Revaluation reserve	1,000	-	1,000
Merger reserve	50	-	50
Share-based payment reserve	267	-	267
Capital redemption reserve	5	-	5
Retained earnings	6,226	178	6,404
<b>Equity attributable to owners of the Group</b>	<b>7,571</b>	<b>178</b>	<b>7,749</b>

Transition adjustments to property, plant and equipment and lease liabilities relate to the introduction of IFRS 16. The impact of the adjustments has been to recognise right of use assets totalling £8,386,000 in 2018 and lease liabilities totalling £8,576,000 in 2018. The right-of-use asset reduced by £904,000 in 2019 and the lease liability reduced by £854,000 during the same period.

Transition adjustments to goodwill relate to the reversal of amortisation charges previously recognised under FRS 102 for 2019 but which are not allowable under IFRS. This has resulted in an increase in the carrying value of goodwill of £419,000 for 2019, with a corresponding credit to profit and loss for the year. This has also resulted in an adjustment to deferred tax of £1,000.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## For the year ended 31 March 2020

### 28. Explanation of transition to IFRS (continued)

#### Statement of cash flows for the year ended 31 March 2019

	Year ended 31 March 2019	Transition adjustments	Year ended 31 March 2019
	As reported £'000	£'000	As restated £'000
<b>Net cash flow from operating activities</b>			
Profit for the year after tax	796	368	1,164
<b>Adjustments for:</b>			
Finance costs	199	227	426
Income tax expense	253	2	255
Depreciation and impairment	725	2,141	2,866
Amortisation and impairment of intangible assets	550	(419)	131
(Gain)/loss on disposal of PPE	7	(1)	6
Share-based payments	267	-	267
(Decrease)/ increase in provisions	428	-	428
<b>Working capital adjustments</b>			
Decrease in inventories	(1,077)	-	(1,077)
(Decrease)/ increase in trade and other receivables	677	-	677
Decrease in trade and other payables	850	-	850
Income taxes paid	13	-	13
<b>Net cash from operations</b>	<b>3,688</b>	<b>2,318</b>	<b>6,006</b>
<b>Cash flows used in investing activities</b>			
Purchase of intangible assets	(5)	-	(5)
Purchase of property, plant and equipment	(93)	-	(93)
Proceeds on disposal of property, plant and equipment	10	-	10
<b>Net cash from/(used in) investing activities</b>	<b>(88)</b>	<b>-</b>	<b>(88)</b>
<b>Cash flows used in financing activities</b>			
Repayment of lease obligations	-	(2,091)	(2,091)
Repayments of borrowings	(3,010)	-	(3,010)
Interest paid	(205)	(227)	(432)
<b>Net cash used in finance activities</b>	<b>(3,215)</b>	<b>(2,317)</b>	<b>(5,533)</b>
<b>Net increase in cash and cash equivalents</b>	<b>385</b>	<b>-</b>	<b>385</b>
<b>Cash and cash equivalents brought forward</b>	<b>2,408</b>	<b>-</b>	<b>2,408</b>
<b>Cash and cash equivalents carried forward</b>	<b>2,793</b>	<b>-</b>	<b>2,793</b>