'The key ingredient to the food industry' ®

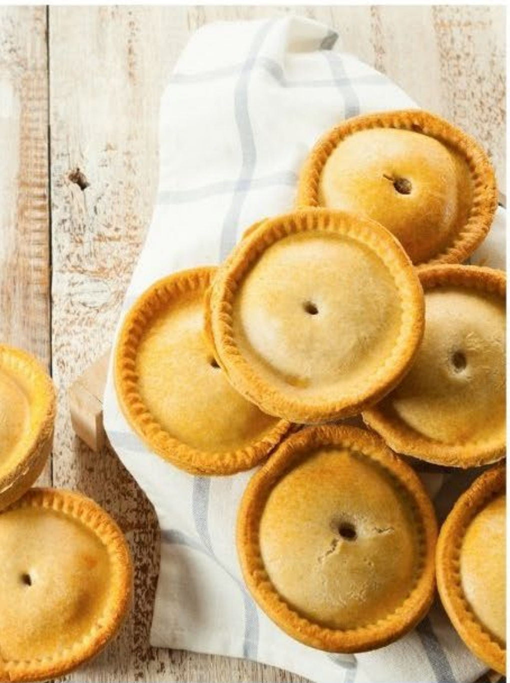
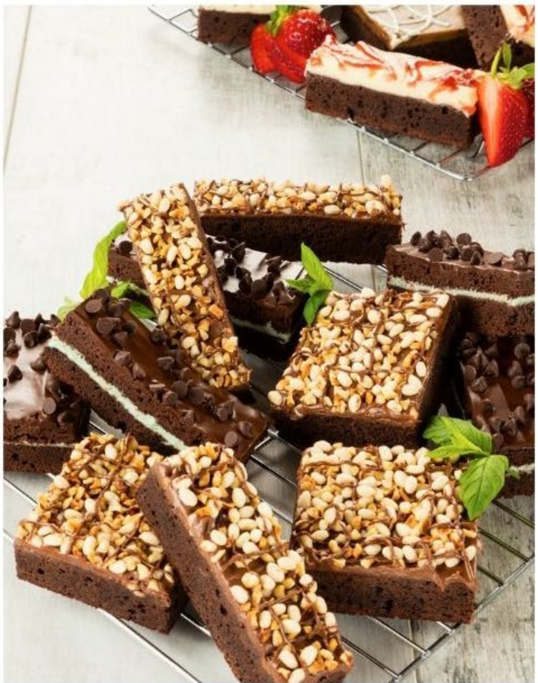
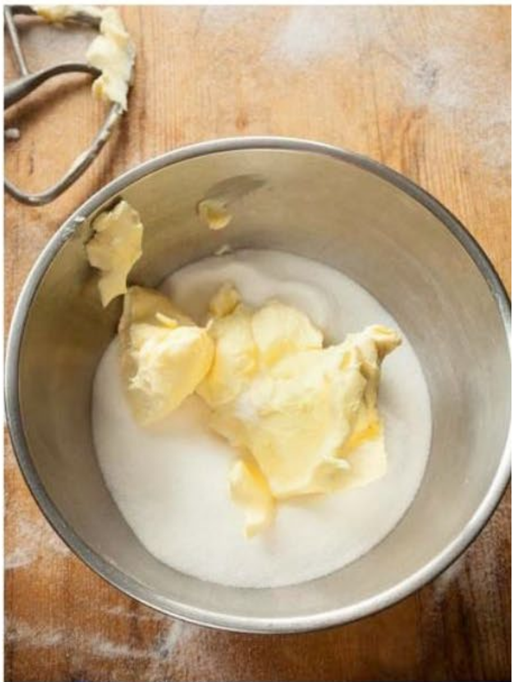
BAKO Group Ltd

(formerly BAKO North Western (Group) Ltd)

Annual Report &

Financial Statements

For the year ended 31 March 2021

Company Registration Number: 08802727

Company Information

Directors	D Yates (Chair) D Hindley L Smith G McGhee
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

Revenue

£100.9m

2020: £122.4m

Gross Profit £20.5m

2020: £23.9m

Shareholder Rebate

£0.7m

2020: £0.3m

Adjusted EBITDA £6.1m

2020: £6.5m

Profit Before Tax and Rebate £2.7m

2020: £2.8m

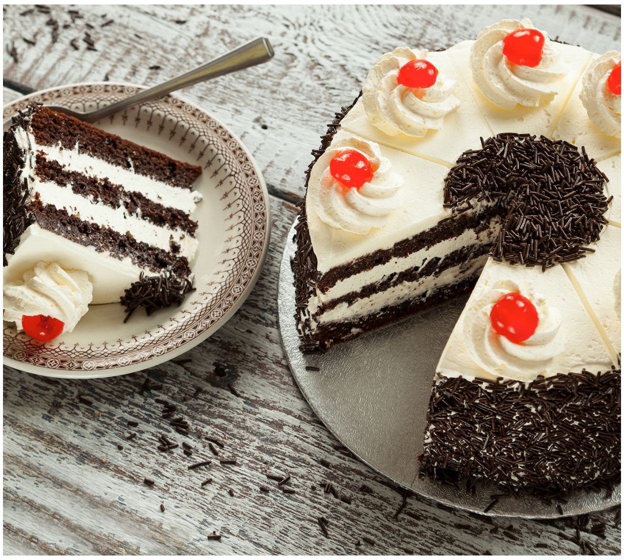
- Revenues of £100.9m in a year affected by the COVID-19 pandemic
- Profitability maintained in a challenging year
- Highest ever shareholder rebate at a time when our shareholders need it the most
- BAKO South Eastern reports a second consecutive year of trading profit
- Over 6,500 customers, including approximately 2,700 bakers
- BRC accreditations achieved at Grade A or above for all 3 Group sites
- Roll out of 'My BAKO': an online communication, well-being and discounts portal for our colleagues
- 100% of our electricity supplied from renewable energy sources

STRATEGIC REPORT (CONTINUED)

Group overview

BAKO 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.



STRATEGIC REPORT (CONTINUED)

Executive Management Team

Michael Tully: Group Chief Executive Officer

Michael has worked in the food and drink industry for over 30 years and more specifically 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 an Executive Management Team which will deliver growth for many years to come.

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, reporting and digitisation. Kirti also acts as the Company Secretary for the Group and oversees the Group's IT department.

Fehmeeda Saddique: Group Human Resources Director

Fehmeeda joined the business in August 2020 bringing with her over 10 years' experience in HR and Payroll. She previously worked at EG Group Ltd as Head of HR & Payroll supporting the growth in the business and overseeing a workforce of 14,000 colleagues. Since joining the business, Fehmeeda has successfully implemented a digital communication and rewards platform to engage colleagues across the business and now also oversees the Quality and Health and Safety functions.

David Armstrong: Group Commerical Director

David joined BAKO in July 2020 having previously been at BAKO UK in 2009. David has worked in Commercial roles for over 30 years in the food and drink sector and has operated at Board level for the last 20 years leading teams though significant periods of organisational change whilst remaining focused on delivery of results. David's remit covers the Buying, Marketing and Technical teams.

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. He formerly served as an advisor on the NFU Sugar Board representing the 3,000 growers providing sugar beet for British Sugar. Nicholas has been instrumental in making BAKO South Eastern profitable. Nicholas will retire at the end of the calendar year and his knowledge and experience will be a great loss to the Group and the wider baking industry. We wish him a long, healthy and happy retirement.

Paul Long: Managing Director BAKO Northern and Scotland

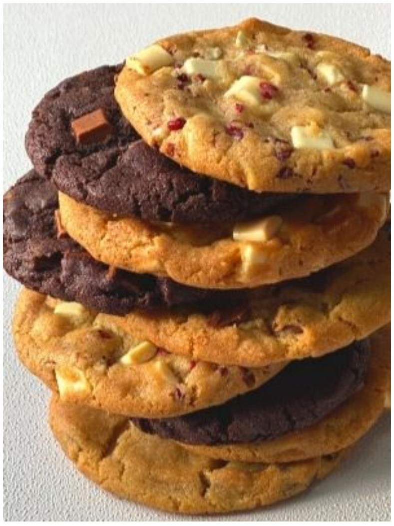
Paul has developed his career in the baking industry with roles at UCB and Rank Hovis McDougall, where he was appointed Commercial Manager of Fleming Howden. Paul joined BAKO as Managing Director for BAKO Northern and Scotland in September 2018, bringing with him over 20 years of experience in the industry. Paul has continued to increase the return generated from this division and grown the market share in England and Scotland.

STRATEGIC REPORT (CONTINUED)

Review of the business

Group performance

Revenues in the year ended 31 March 2021 fell to £100.9m (2020: 122.4m) due to the COVID-19 pandemic. Significantly more customers were closed during the first lockdown and there has been a steady re-opening since. The Group, being an essential supplier to the food industry, continued to operate throughout the pandemic, quickly adopting working practices to ensure the safety of our colleagues.



Service levels were maintained for our customers and a direct-to-consumer offering was launched to fulfil the increased demand for home baking. Revenue began to recover as our customers adjusted their operating models to accommodate social distancing and revenue growth since March 2021 indicates that the Group will return to pre-pandemic levels earlier than anticipated.

Profit before taxation and shareholder rebate was £2.7m (2020: £2.8m), supported by cost reductions and HM Government's Coronavirus Job Retention Scheme (CJRS).

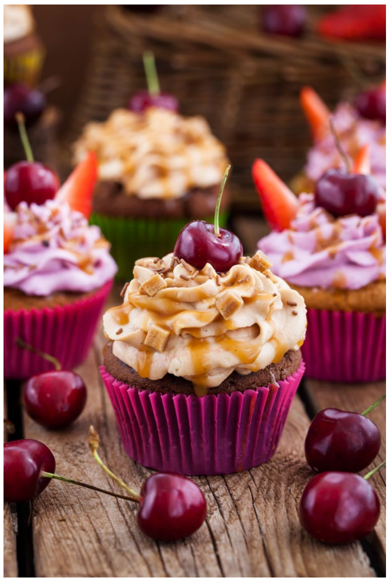
The Group's adjusted Earnings Before Interest, Tax and Depreciation (EBITDA) saw a small reduction to £6.1 million (2020: £6.5 million) which is attributed to the reduction in revenue. The EBITDA for the year was adjusted for a share-based payment charge of £0.4 million (2020: £0.4 million) and the shareholder rebate of £0.7 million (2020: £0.3 million).

Cash generated by operating activities for the Group was £5.5 million (2020: £5.5 million). Cash required for investing activities was limited as there was no major capital expenditure. Financing activities consumed net cash of £4.0 million (2020: £6.0 million), which includes a £0.8 million (2020: £3.1 million) reduction in the Group's invoice discounting facility and £2.1 million of payments against lease obligations (2020: £2.6 million). The Group's cash and cash equivalents as at 31 March 2021 were £3.9 million (2020: £2.8 million) and external debt was significantly reduced from £3.6 million at 31 March 2020 to £1.9 million, resulting in net cash as at 31 March 2021 of £2.0 million (2020: £0.8 million net debt).

As at 31 March 2021 the Group's net assets were £12.0 million (2020: £10.0 million).

Divisional performance

The Group's largest operating division, BAKO North Western, achieved turnover of £45.4 million (2020: £54.5 million). Profit before tax for the year was £2.4 million (2020: £2.3 million). Ian York was appointed as Managing Director of the division in June 2020 tasked with growing the market share and penetrating other regions.



BAKO South Eastern achieved operating profitability for the second consecutive year since its acquisition in 2013, reporting a profit before tax of £0.1 million (2020: £0.1 million) despite revenues falling to £22.8 million (2020: £29.5 million). The pandemic had a proportionately higher impact on revenues at BAKO South Eastern than it did at the other two divisions due to the proximity of its customer base to major city centres. A new ten-year lease was agreed for the Wimbledon depot which brings some certainty over the ever-increasing commercial property rents in the South East.

BAKO Northern & Scotland generated turnover of £32.6 million (2020: £38.4 million) and a profit before tax of £2.1 million (2020: £1.9 million). The business proved to be the most resilient to the pandemic due to a high proportion of its customers being based in rural locations. Profitability improved as processes rationalised in response to the pandemic realised permanent efficiencies.

STRATEGIC REPORT (CONTINUED)

Shareholders

The Group has been actively recruiting new shareholders to its shareholder base and had recruited 48 new shareholders by 31 March 2021, taking the overall number of shareholders to 628. Shareholder customers contributed a full year equivalent of £39.6 million or 39.2% to the Group's annual revenue.

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

A shareholder rebate of £667,000 is proposed as a final rebate for the year ended 31 March 2021 (2020: £339,000). This will be the highest rebate ever paid to our shareholders and comes at a time when our shareholder need it the most. This demonstrates our commitment to grow the shareholder rebate in line with the growth of our profits. The previous year's rebate was supressed because of the prevailing uncertainties at the start of the pandemic. Our results for this year show that we have retained our profitability and so a higher shareholder rebate is justified. The rebate represents 1.75% of each shareholder's spend with the Group.

The Board has carefully considered paying a shareholder rebate whilst claiming grants under the CJRS and feel that a shareholder rebate at a difficult time for many of our shareholder customers is appropriate. At the same time the Board has committed not to apply for any funding under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) nor the discretionary business rates relief available to foodservice wholesalers. The CJRS has been used for its intended purpose which was to protect jobs.

Future Developments

There have been a number of changes on the Board of BAKO over the last six months which are detailed in the Directors' Report. Although Independent Non-Executive (NED) directors have left the Board, governance remains a key consideration and the Board is actively looking to appoint new NEDs. The Group is 'owned by bakers for bakers' and your new Board will look to reinforce this at the next Annual General Meeting by proposing some changes to the Company's Articles of Association.

The Board and Executive Management Team are developing a new five-year strategy which will focus on our core market of the supply of ingredients and finished products to the baking industry. A key pillar to the strategy is to become 'One BAKO' whereby the three companies in BAKO will become one. This will harmonise processes, systems and our online ordering platforms and make it easier for our stakeholders, in particular our customers, suppliers and colleagues, to interact with BAKO.

A key element to delivering the Group's strategy is to digitise key areas of the business. The final stage of the Electronic Point of Delivery (EPOD) solution will see it implemented in BAKO South Eastern in 2022. A new Enterprise Resource Planning (ERP) system is under development and this will also go-live in BAKO South Eastern in 2022.

During the next year, the Group will implement a new Corporate Social Responsibility (CSR) strategy which will improve BAKO's engagement with its stakeholders and reduce its impact on the environment. A number of energy efficient projects have been completed which are detailed below.

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 recover to pre-COVID levels with customer closures being offset by increased loyalty from remaining customers. 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.

Strategic

Pre-COVID-19 structural changes that were being experienced on the high street could become more prevalent as landlords seek recovery of rent arrears and government support comes to an end. There are some positive signs that consumers are shopping more locally however, more data is required before any strategic decisions can be made. Food inflation is expected to be higher than recent years as the combination of an increase in demand and additional administrative costs resulting from Brexit push prices higher.

Operational

The impact to the supply chain from an inbound and outbound perspective are key risks. The national shortage of HGV drivers and warehousing staff is monitored closely, and plans have been implemented to reward loyalty. 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.

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.

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.

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 2021 in kilowatt hours (kWh) and tonnes of carbon dioxide (tCO2e).

	2021	2021	2020	2020
Utility and Scope Consumption	kWh	tCO_2e	kWh	tCO_2e
Grid supplied electricity (scope 2)	2,511,545	585.54	2,610,993	667.37
Gaseous and other fuels (scope 1)	168,986	31.07	107,612	19.79
Transportation (scope 1 & 3)	17,236,252	4,146.30	25,874,401	6,330.28
Total	19,916,783	4,762.91	28,593,006	7,017.44

Scope 1 and 2 consumption and CO_2e 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. Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the Group. For the Group, this is related to business travel undertaken in employee-owned vehicles. 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 (tCO2e) per million of revenue and kilogrammes of CO2e consumed to transport a tonne of product over a distance of one kilometre (kgCO2e / TK).

Intensity metric	2021	2020
tCO2e / £m of revenue	47.21	57.35
kgCO2e / TK	14.89	11.54

Energy Efficiency Improvements

BAKO are committed to year-on-year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to BAKO has been compiled, with a view to implementing these measures in the next 5 years.

Measures ongoing and undertaken through 2020/21

Renewable Energy Procurement

BAKO have continued to ensure that all electricity purchased for use throughout the group is generated from renewable sources through our procurement contracts, contributing to a reduction of carbon emissions from operational electricity consumption.

Route Planning Implementation

A core part of BAKO's operations is formed of transportation of goods. As such, it is important that routes taken for these operations are the most efficient possible. As such, all routes for transport are planned in advance, to ensure fuel conservation is maximised, and resulting emissions are minimised as far as possible.

Water Efficiency Improvements

The use of recycled rainwater exclusively for all wagon washing operations across the group has been continued through the reporting year. 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 the portfolio.

STRATEGIC REPORT (CONTINUED)

Measures prioritised for implementation in 2021/22

Some measures previously identified for implementation in 2020/21 unfortunately were unable to be carried out as a result of the COVID-19 pandemic. As such, these have been carried over for implementation in 2021/22.

Renewable Energy Generation Installation

Investigations are being undertaken as to the feasibility of the installation of solar panels for on-site generation at all sites within the BAKO portfolio. Utilising renewable on-site generated energy will further support BAKO's aim of reducing carbon emissions, and reliance on grid-supplied energy.

Electric Vehicle Fleet Trials

The long-term goal for BAKO is to introduce the use of electric vehicles into operations undertaken in Central London. The introduction of the Ultra-Low Emissions Zone (ULEZ) in London further supports this goal, to ensure no extra costs are incurred by the business for travel within this zone. This will further reduce our carbon footprint from our transportation operations, which currently form a large portion of our greenhouse gas emissions.

Reporting Methodology

Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The Emission Factor Database 2020 version 1.0, which is consistent with the 2019 UK Government environmental reporting guidance has been used, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting year 1 April 20 to 31 March 2021.

Estimations undertaken to cover missing billing periods for properties directly invoiced to the Group were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 3.9% of reported consumption.

Intensity metrics have been calculated utilising the reportable figures for the following metrics, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric:

- Total turnover (£m) £100.90m
- Tonne kilometres (millions) (TK (million)) 273,980

STRATEGIC REPORT (CONTINUED)

Corporate governance

The Board of Directors strive to keep pace with best practice and guidance on corporate governance. Whilst not mandatory for the Group, the Board will adopt the Quoted Companies Alliance (QCA) Governance Code over the next year, demonstrating its commitment to improve corporate governance. The Board is made up of four member directors (eligible by virtue of being a shareholder) and one Independent Non-Executive Advisor. The Chairperson is expected to commit 36 days per annum to BAKO and all other Directors are required to commit to 24 days per annum. The Board fulfils a supervisory function overseeing the Executive Management Team who run the day-to-day business. The Group encourages the Executive Management Team to keep their skills and knowledge up to date by carrying out annual appraisals and identifying training requirements.

During the year there were a number of changes on the Board including the appointment of a new Chairperson, David Yates. Joe Hall retired from the Board after a tenure of eight years, five of which were as Chairperson.

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 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 practice 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 fulfilled by the Board who are responsible for identifying 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 Board ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors.

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. M Taylor was appointed as an Independent Non-Executive Advisor to the Board on 4 May 2021.

Members of Committees

The members of the Committees were as follows:

		Eligible	Attendance
Audit	D Hindley	2	2
Committee	A Moore (up to 15 December 2020)	2	1
(4 meetings)	D Walker (up to 23 March 2021)	4	4

M Taylor was appointed as Chair of the Committee on 4 May 2021 and L Smith was appointed as a member of the Committee on 25 May 2021.

Risk	D Hindley – Chair	1	1
Committee	D Walker (up to 23 March 2021)	1	1
(1 meeting)			

M Taylor was appointed as a member of the Committee on 4 May 2021 and was joined by L Smith on 25 May 2021.

Remuneration	J Hill – (up to 29 March 2021)	7	7
Committee	D Yates – (up to 29 June 2021)	6	6
(7 meetings)	A Moore (up to 15 December 2020)	5	5
	A Sutton (up to 15 December 2020)	5	5
	D Walker (from 15 December 2020 to 23 March 2021)	1	1
	D Ghee (from 15 December 2020 to 23 March 2021)	1	1

M Taylor was appointed as Chair of the Committee on 4 May 2021, L Smith was appointed as a member of the Committee on 25 May 2021 and was joined by G McGhee from 29 June 2021.

STRATEGIC REPORT (CONTINUED)

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

Numbers of meetings attended:	Eligible	Attendance
D Yates (resigned 29 January 2021, reappointed 23 March 2021)	11	11
D Hindley (resigned 29 January 2021, reappointed 23 March 2021)	11	9
L Smith (appointed 12 February 2021)	5	5
G McGhee (appointed 1 June 2021)	0	0
J Hall (resigned 1 June 2021)	19	19
J Hill (resigned 29 March 2021)	16	15
D Walker (resigned 23 March 2021)	18	16
D Ghee (resigned 23 March 2021)	18	15
A Moore (resigned 15 December 2020)	6	5
A Sutton (resigned 15 December 2020)	6	6

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. 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 shareholders can only prosper 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. During the pandemic, our level of engagement with our customers increased as we kept them abreast of changes at BAKO. We will look to maintain this new benchmark for engagement.

Our colleagues

The pandemic has prevented us from holding physical meetings with our colleagues, instead we have engaged virtually via our recently launched 'My BAKO' platform. 'My BAKO' is an online platform which can be accessed by all colleagues and is used by senior management to post business updates. The platform also gives our colleagues access to mental and physical well-being support and access to discounts from major retailers. We hope to reinstate quarterly colleague committee meetings where representatives from each department can raise any issues or initiatives as soon as it is safe to do so. 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.

Our suppliers

The Group's commercial team are the principal contact with our suppliers, and we are committed to building strong trading relationships with our partners. This is done through regular meetings with dedicated points of contact where all supply matters are discussed. We operate to a set of quality and ethical standards and, as a minimum, expect our suppliers to work to our terms of trade.

Our shareholders

The Group's shareholders are also customers of the Group by virtue of the eligibility to become a shareholder as set out in the Articles of Association. Shareholder engagement is therefore frequent as part of their trading relationship with the Group. Shareholders 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. The Group will implement a new Corporate Social Responsibility strategy over the next twelve months, a key part of which will be to support local charities and encourage colleagues to volunteer for local communities.

On behalf of the Board

D Yates
Director
28 September 2021

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 March 2021.

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:

D Yates	Chairman	(resigned 29 January 2021 & reappointed 23 March 2021)
D Hindley		(resigned 29 January 2021 & reappointed 23 March 2021)
L Smith		(appointed 12 February 2021)
G McGhee		(appointed 1 June 2021)
J Hall		(resigned 1 June 2021)
J Hill		(resigned 29 March 2021)
D Walker		(resigned 23 March 2021)
D Ghee		(resigned 23 March 2021)
A Sutton		(resigned 15 December 2020)
A Moore		(resigned 15 December 2020)

Results and dividends

The profit after taxation for the year amounted to £1.5 million (2020: £1.9 million). The results for the year are set out on page 20. 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 2021 is £667,000 (2020: £339,000).

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 70 days of purchases (2020: 67 day's).

Stakeholder engagement

The Group's engagement with customers, colleagues, suppliers and shareholders 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

D Yates
Director
28 September 2021

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) in conformity with the Companies Act 2006 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 in conformity with the Companies Act 2006 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 Group Limited website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKO GROUP LIMITED

Opinion

We have audited the financial statements of Bako Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

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

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS / UK-adopted IAS, FRS101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to food safety and health and safety. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities. We reviewed the health and safety report prepared by a third party.

The group engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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
28 September 2021

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	*2*	100,895	122,365
Cost of sales		(80,362)	(98,450)
Gross profit		**20,533**	**23,915**
Administrative expenses		(18,323)	(21,171)
Operating Profit		**2,210**	**2,744**
Interest payable and similar expenses	*8*	(207)	(310)
Profit before taxation		**2,003**	**2,434**
Taxation	9	(455)	(576)
Profit and total comprehensive income for the year		**1,548**	**1,858**

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Goodwill	10	6,089	6,089
Intangible assets	10	292	132
Property, plant and equipment	11	14,144	11,500
Investment properties	12	-	-
Deferred tax asset	14	63	72
Total non-current assets		**20,588**	**17,793**
Inventories	15	5,518	7,318
Trade and other receivables	16	11,076	12,620
Corporation tax receivable	16	428	296
Cash and cash equivalents		3,911	2,806
Total current assets		**20,933**	**23,040**
Total assets		**41,521**	**40,833**
Liabilities			
Trade and other payables	17	(17,343)	(19,471)
Current tax liabilities	17	(800)	(1,194)
Loans and other borrowings	18	(1,211)	(2,629)
Lease liabilities	19	(1,894)	(1,841)
Total current liabilities		**(21,248)**	**(25,135)**
Loans and other borrowings	18	(700)	(900)
Long-term provisions	20	(532)	(720)
Lease liabilities	19	(6,746)	(3,778)
Deferred tax liability	14	(307)	(275)
Total non-current liabilities		**(8,285)**	**(5,673)**
Total liabilities		**(29,533)**	**(30,808)**
Net assets		**11,988**	**10,025**
Equity			
Share capital	22	30	28
Revaluation reserve	24	851	925
Merger reserve	24	50	50
Share-based payment reserve	24	1,093	680
Capital redemption reserve	24	11	7
Retained earnings	24	9,953	8,335
Equity attributable to owners of the Group		**11,988**	**10,025**

These Financial Statements were approved by the Board of Directors and authorised for issue on 28 September 2021 and signed on its behalf by:

D Yates
Director
Company registered number: 08802727

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Investments	13	12,218	12,218
Intangible assets	10	279	107
Deferred tax asset	14	-	4
Total non-current assets		**12,497**	**12,329**
Trade and other receivables	16	3,367	1,867
Corporation tax receivable	16	423	294
Cash and cash equivalents		114	113
Total current assets		**3,904**	**2,274**
Total assets		**16,401**	**14,603**
Liabilities			
Trade and other payables	17	(12,004)	(11,259)
Loans and other borrowings	18	(208)	(800)
Total current liabilities		**(12,212)**	**(12,059)**
Net current liabilities		**(8,308)**	**(9,785)**
Borrowings	18	(700)	(900)
Deferred tax liability	14	(49)	-
Total non-current liabilities		**(749)**	**(900)**
Total liabilities		**(12,961)**	**(12,959)**
Net assets		**3,440**	**1,644**
Equity			
Share capital	22	30	28
Share-based payment reserve	24	1,093	680
Capital redemption reserve	24	11	7
Retained earnings	24	2,306	929
Equity attributable to owners of the Company		**3,440**	**1,644**

The Company's profit for the year was £1,381,000 (2020:£812,000).

These Financial Statements were approved by the Board of Directors and authorised for issue on 28 September 2021 and signed on its behalf by:

D Yates
Company registered number: 08802727

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	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 2019 restated	**23**	**1,000**	**50**	**267**	**5**	**6,404**	**7,749**
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)**
As at 31 March 2020	**28**	**925**	**50**	**680**	**7**	**8,335**	**10,025**
Profit for the year	-	-	-	-	-	1,548	**1,548**
Transfers	-	(74)	-	-	-	74	**-**
Credit to equity for equity settled share-based payments	-	-	-	413	-	-	**413**
Issue of shares	6	-	-	-	-	-	**6**
Repurchase and cancellation of shares	(4)	-	-	-	4	(4)	**(4)**
As at 31 March 2021	**30**	**851**	**50**	**1,093**	**11**	**9,953**	**11,988**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Share capital £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
As at 1 April 2019	**23**	**267**	**5**	**119**	**414**
Profit for the year	-	-	-	812	**812**
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)**
As at 31 March 2020	**28**	**680**	**7**	**929**	**1,644**
Profit for the year	-	-	-	1,381	**1,381**
Credit to equity for equity settled share-based payments	-	413	-	-	**413**
Issue of shares	6	-	-	-	**6**
Repurchase and cancellation of shares	**(4)**	-	4	(4)	**(4)**
As at 31 March 2021	**30**	**1,093**	**11**	**2,306**	**3,440**

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Net cash flow from operating activities		
Profit for the year after tax	1,548	1,858
Adjustments for:		
Finance costs	207	310
Income tax expense	455	576
Depreciation and impairment	2,761	2,881
Amortisation and impairment of intangible assets	26	95
Gain on disposal of PPE	(3)	(5)
Share-based payments	413	413
Decrease in provisions	(188)	(71)
Working capital adjustments		
Decrease / (increase) in inventories	1,800	(741)
Decrease / (increase) in trade and other receivables	1,544	(692)
(Decrease) / increase in trade and other payables	(2,428)	1,465
Income taxes paid	(634)	(605)
Net cash from operations	**5,501**	**5,484**
Cash flows used in investing activities		
Purchase of intangible assets	(186)	(110)
Purchase of property, plant and equipment	(274)	(323)
Proceeds from disposal of property, plant and equipment	4	972
Net cash (used in)/from investing activities	**(456)**	**539**
Cash flows used in financing activities		
Purchase of own shares for cancellation	(4)	(2)
Issue of new shares	6	7
Repayment of lease liabilities	(2,111)	(2,613)
Repayments of borrowings and amounts due under finance leases	(1,618)	(3,099)
Interest paid	(213)	(303)
Net cash used in finance activities	**(3,940)**	**(6,010)**
Net increase in cash and cash equivalents	**1,105**	**13**
Cash and cash equivalents brought forward	2,806	2,793
Cash and cash equivalents carried forward	**3,911**	**2,806**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. **Accounting policies**

Company information

BAKO 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 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)in conformity with the Companies Act 2006. 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:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a Statement of Cash Flows and related notes;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- comparative period reconciliations for the number of shares outstanding; and
- related party disclosures for transactions with the parent or 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.

Significant new accounting policies

No new accounting standards with an impact on the Group or Company have been adopted in the year.

There are no accounting standards which have been issued but are not yet effective which are expected to have an impact on the Group or Company.

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 2021.

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.

Going concern basis

The financial statements have been prepared on a going concern basis. The Group has net current liabilities of £315,000 (2020: £2,095,000) and net assets of £11,988,000 (2020: £10,025,000). The Directors have prepared projections based on the post COVID-19 sales performance 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 reliance on the invoice financing facility has significantly reduced over the last four years and the Group is in a net cash position. The Group manages cash flow through sweeping cash from the profitable subsidiaries and using this to support the central overheads. 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.

Government grants

Government grants received in relation to the Coronavirus Job Retention Scheme during the year have been offset against staff costs.

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 under administrative expenses in the profit and loss account 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

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 recognised 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.

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.

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.

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

	2021	**2020**
	£'000	**£'000**
This is stated after charging/(crediting):		
Exchange gains	(10)	(48)
Inventories recognised as an expense	82,302	100,505
Share-based payments	413	413
Depreciation of owned property, plant and equipment	536	521
Depreciation of fixed assets held under finance leases	-	46
Depreciation of right of use assets	2,225	2,314
Profit on disposal of property, plant and equipment	(3)	(5)
Amortisation of intangible assets	26	95
Operating lease charges for short term and low value leases	-	197

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

4. Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditor and associates		
Audit of the financial statements of the Group and Company	5	4
Audit of the financial statements of the subsidiaries	53	48
Total audit fees	**58**	**52**
- Internal audit services	-	16
- Other non-audit related services	15	43

5. Employee numbers and costs

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

	Group		Company	
	2021 Number	2020 Number	2021 Number	2020 Number
Selling	63	66	2	2
Distribution	88	108	-	-
Warehousing	93	107	-	-
Office and management	62	65	29	29
Total	**306**	**346**	**31**	**31**

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	7,704	9,838	1,403	1,403
Social security costs	921	980	189	160
Other pension costs	535	557	122	108
Share-based payments	413	413	413	413
Total	**9,573**	**11,788**	**2,127**	**2,084**

Wages and salaries for the year includes an amount of £1,425,000 received in respect of the UK Government's Coronavirus Job Retention Scheme.

6. Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	181	165

The above figure includes £6,000 of compensation for loss of office (2020: nil).

7. Share-based payment charges

	2021 £'000	2020 £'000
Share-based payment expense (note 24)	413	413

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 (2020: £413,000), 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

	2021 £'000	2020 £'000
Interest of financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	4	27
Interest on invoice finance arrangements	33	67
Interest on lease liabilities	147	193
Interest on other loans	23	23
Total	207	310

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

9. Taxation

	2021 £'000	2020 £'000
Current tax		
Current period – UK corporation tax	457	635
Adjustments in respect of prior periods	(42)	(39)
Total current tax	**415**	**596**

Deferred tax		
Origination and reversal of temporary differences	18	(64)
Adjustments in respect of prior periods	22	14
Impact of change in tax rate	-	30
Total deferred tax	**40**	**(20)**
Total tax charge	**455**	**576**

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:

	2021 £'000	2020 £'000
Profit before tax	2,003	2,434
Tax charge at 19.0% (2020 – 19.0%)	380	462
Adjustments relating to underlying items:		
Adjustment to tax charge in respect of prior periods	(20)	(25)
Effects of expenses not deductible for tax purposes	34	44
Change in unrecognised deferred tax assets	(17)	37
Effect of difference in corporation tax and deferred tax rates	-	(20)
Adjustments relating to share-based payment charges:		
Effects of expenses not deductible for tax purposes	78	78
Total tax expense	455	576

In the Spring Budget 2021, the Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 19% which was the tax rate substantively enacted at 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

10. Intangible assets

Group	Goodwill	Software	Assets under construction	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2019	8,516	502	-	9,018
Additions	-	24	86	110
As at 1 April 2020	**8,516**	**526**	**86**	**9,128**
Additions	-	15	171	186
Disposals	-	(1)	-	(1)
As at 31 March 2021	**8,516**	**540**	**257**	**9,313**
Accumulated amortisation and impairment				
As at 1 April 2019	2,427	385	-	2,812
Charge for the year	-	95	-	95
As at 1 April 2020	**2,427**	**480**	**-**	**2,907**
Charge for the year	-	26	-	26
Disposals	-	(1)	-	(1)
As at 31 March 2021	**2,427**	**505**	**-**	**2,932**
Carrying amount				
As at 31 March 2021	**6,089**	**35**	**257**	**6,381**
As at 31 March 2020	6,089	46	86	6,221
As at 1 April 2019	6,089	117	-	6,206

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 of 1.7% (2020: 1.5%).

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 a growth rate of 2% per annum 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.

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 (2020: £5,898,000). The value in-use exceeds the carrying value by £10,666,000 (2020: £3,136,000).

Goodwill associated with the acquisition of Bako South Eastern business has a cost of £1,347,000 and accumulated amortisation brought forward of £1,156,000. The carrying amount of the goodwill is £191,000 (2020: £191,000). The value in-use exceeds the carrying value by £1,239,000 (2020: £150,000).

Purchased goodwill has a cost of £400,000 accumulated amortisation brought forward of £400,000. The carrying amount of the goodwill is £nil (2020: £nil).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

10. Intangible assets (continued)

Company	Software	Assets under construction	Total
Cost	**£'000**	**£'000**	**£'000**
As at 1 April 2020	24	86	110
Additions	7	171	178
As at 31 March 2021	**31**	**257**	**288**
Accumulated amortisation and impairment			
As at 1 April 2020	3	-	3
Charge for the year	6	-	6
As at 31 March 2021	**9**	**-**	**9**
Carrying amount			
As at 31 March 2021	**22**	**257**	**279**
As at 31 March 2020	21	86	107

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

11. Property, plant and equipment

Group **Cost or valuation**	**Land and buildings £'000**	**Plant and machinery £'000**	**Fixtures and fittings £'000**	**Motor vehicles £'000**	**Total £'000**
As at 1 April 2019	**8,119**	**5,061**	**200**	**9,059**	**22,439**
Additions	-	332	17	484	833
Disposals	-	(30)	-	(234)	(264)
As at 31 March 2020	**8,119**	**5,363**	**217**	**9,309**	**23,008**
Additions	4,937	325	-	144	5,406
Disposals	-	(293)	-	(389)	(682)
As at 31 March 2021	**13,056**	**5,395**	**217**	**9,064**	**27,732**
Depreciation and impairment					
As at 1 April 2019	**2,207**	**3,490**	**64**	**3,113**	**8,874**
Depreciation charged in the year	766	546	36	1,533	2,881
Eliminated in respect of disposals	-	(30)	-	(217)	(247)
As at 31 March 2020	**2,973**	**4,006**	**100**	**4,429**	**11,508**
Charge for the year	729	461	-	1,571	2,761
Disposals	-	(294)	-	(387)	(681)
As at 31 March 2021	**3,702**	**4,173**	**100**	**5,613**	**13,588**
Carrying Amount:					
As at 31 March 2021	**9,354**	**1,222**	**117**	**3,451**	**14,144**
As at 31 March 2020	5,146	1,357	117	4,880	11,500

The Company has no tangible fixed assets at 31 March 2021 or 31 March 2020.

At 31 March 2021, had revalued assets been carried at historic cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £2,429,000 (2020 - £2,505,000). The historical cost was £3,976,000 (2020: £3,976,000) and accumulated depreciation of £1,547,000 (2020: £1,471,000).

The net carrying value of tangible fixed assets include the following right of use assets:

	Group		**Company**	
	2021 £'000	**2020 £'000**	**2021 £'000**	**2020 £'000**
Land and buildings	4,814	469	-	-
Plant and machinery	233	342	-	-
Motor vehicles	3,531	4,865	-	-
	8,578	**5,676**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

11. Property, plant and equipment (continued)

The net book value of the right of use asset comprised:

	£'000
Opening right of use asset on transition at 1 April 2019	7,482
Cost movement in year	468
Depreciation movement in year	(2,274)
Net book value at 31 March 2020	**5,676**
Cost movement in year	5,127
Depreciation movement in year	(2,225)
Net book value at 31 March 2021	**8,578**

Depreciation charge in respect of:	**2021 £'000**	**2020 £'000**
Assets held under finance leases and hire purchase contracts	-	46
Right of use assets	2,225	2,314

12. Investment property

	Group £'000
As at 1 April 2019	950
Disposals	(950)
As at 31 March 2020	**-**
Disposals	-
As at 31 March 2021	**-**

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

13. Investments

		Company
	2021 £'000	**2020 £'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 2021 are as follows:

13. Investments (continued)

		% of Ordinary shares held	
Registered Office	**Nature of business**	**Direct**	**Indirect**
BAKO Limited	Wholesaler of bakery products	100	
BAKO South Eastern Limited	Wholesaler of bakery products	99.15	0.85
Bakers (Area 1) Limited	Wholesaler of bakery products		100
Sandco 1187 Limited	Holding company	100	
BAKO Northern (Holdings) Limited	Property rental		100
BAKO North Western (Group) Limited	Dormant	100	
LBBA Limited	Dormant	100	
BAKO Scotland Limited	Dormant		100
BAKO North Western Limited	Dormant	100	
Anglian Bakery and Catering Suppliers Limited	Dormant	100	

BAKO Scotland Limited, LBBA Limited, BAKO North Western Limited, BAKO North Western (Group) 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.

Group	**Liabilities**		**Assets**	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Short term timing differences	(311)	(275)	32	37
Tax losses	4	-	-	4
Other timing differences	-	-	31	31
	(307)	(275)	63	72

Company	**Liabilities**		**Assets**	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Short term timing differences	(53)	-	-	-
Tax losses	4	-	-	4
	(49)	-	-	4

Deferred tax assets of £427,000 (2020: £407,000) for tax losses carried forward at 31 March 2021 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**	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Raw materials and consumables	30	27	-	-
Finished goods and goods for resale	5,488	7,291	-	-
Total	**5,518**	**7,318**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2021

16. Trade and other receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade receivables	9,417	10,718	-	-
Corporation tax receivable	428	296	423	294
Amounts due from Group undertakings	-	-	3,300	1,800
Other receivables	83	167	12	12
Prepayments and accrued income	1,576	1,735	55	55
Total	**11,504**	**12,916**	**3,790**	**2,161**

Ageing of past due but not impaired receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Less than 1 month	1,053	2,175	-	-
1–2 months	40	98	-	-
2–3 months	42	17	-	-
Over 3 months	17	26	-	-
	1,152	2,316	-	-

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 grouped based 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 to incorporate forward-looking information. 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 £252,000 at 31 March 2021 (2020 – £216,000). Trade receivables which are deemed to be irrecoverable are written off.

Movement in the expected credit loss provision

	£'000
Expected credit loss provision at 1 April 2020	216
Additional provisions recognised	40
Amounts written off	(4)
Expected credit loss provision at 31 March 2021	252

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. Amounts due from group undertakings are interest free and repayable on demand.

17. Trade and other payables

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	15,363	18,025	126	66
Amounts due to Group undertakings	-	-	10,884	10,563
Corporation tax payable	631	718	-	-
Other tax and social security	169	476	-	-
Other payables	125	128	5	8
Accruals and deferred income	1,855	1,318	989	622
Total	**18,143**	**20,665**	**12,004**	**11,259**

Amounts due to group undertakings are interest free and repayable on demand.

18. Borrowings

	Group		Company	
	2021	**2020**	**2021**	**2020**
Falling due in less than one year	**£'000**	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	208	200	208	200
Loan notes	-	600	-	600
Invoice finance	1,003	1,823	-	-
Obligations under finance leases	-	6	-	-
Total	1,211	2,629	208	800
Falling due in more than one year				
Bank loans	700	900	700	900
Total	700	900	700	900

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	908	1,100	908	1,100
Loan notes	-	600	-	600
Invoice finance	1,003	1,823	-	-
Obligations under finance leases	-	6	-	-
Total	1,911	3,529	908	1,700
Payable within one year	1,211	2,629	208	800
Payable after one year	700	900	700	900

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 Group Limited group. The balance outstanding at 31 March 2021 was £900,000 (2020: £1,100,000) with £8,000 (2020: £nil) of accrued interest.

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 2021 was £nil (2020: £600,000) of which £nil (2020: £193,440) are secured by a debenture.

19. Lease liabilities

	Group	
	2021	**2020**
	£'000	**£'000**
Analysis of undiscounted lease payments falling due:		
Repayable in less than one year	2,042	1,971
Repayable in 1-5 years	4,585	3,924
Repayable in more than 5 years	2,527	-
Total undiscounted lease payments	**9,154**	**5,895**
Future finance charges	(514)	(276)
Total lease liabilities	**8,640**	**5,619**

The Company has no lease liabilities under IFRS 16.

20. Provisions

	Group	
	2021	**2020**
	£'000	**£'000**
Non-current dilapidations	532	720
Total	**532**	**720**

Movements on provisions in the year:

	Non-current dilapidations £'000
At 1 April 2020	720
Additional provisions in the year	100
Utilisation of provision	(288)
At 31 March 2021	**532**

The Group continues to recognise a provision in respect of future dilapidation costs for its Wimbledon site. An additional £100,000 was provided during the year to ensure an adequate level of provision is held against probable costs at the end of the lease. £288,000 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 2021 is £532,000 (2020: £720,000). No element of the provision is expected to be utilised within 12 months.

21. Financial instruments

Financial assets
The Group held the following financial assets at amortised cost:

	Group	
	2021	2020
	£'000	£'000
Cash and cash equivalents	3,914	2,806
Trade receivables	9,417	10,718
	13,331	**13,524**

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.

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

	Group	
	2021	2020
	£'000	£'000
Trade payables	15,363	18,025
Loans and overdrafts	1,911	3,529
Other payables	125	128
	17,399	**21,682**

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

	2021	2020
	£'000	£'000
Ordinary share capital, issued and fully paid		
25,120 (2020: 23,200) Ordinary shares of £1 each	25	23
465 A Ordinary shares of £10 each	5	5
40 B Ordinary shares of £1 each	-	-
	30	28

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 5,800 ordinary shares to new shareholders at par and repurchased and cancelled 3,880 ordinary shares. The total consideration paid in respect of the repurchased ordinary shares was £3,880.

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. After the date of these financial statements, 15 B Ordinary shares with a nominal value of £1 each were issued to members of the Executive Management Team under the terms of the Executive Incentive Scheme.

23. Retirement benefit schemes

	2021	2020
	£'000	£'000
Charge to profit or loss in respect of defined contribution schemes	535	557

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 14th 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:

	2021	2020
	£'000	£'000
Aggregate compensation	1,811	1,414

The aggregate compensation for the current year includes £413,000 in respect of share-based payment charges (2020: £413,000).

Transactions with related parties
During the year the Group made sales of goods to businesses owned by the Directors of Bako Group Limited. These were made under normal trading terms. The value of sales for the year ended 31 March 2021 was £552,357 (2020: £631,313) and the balance owed to the Group at 31 March 2021 was £280,947 (2020: £63,839).

26. Changes in liabilities arising from financing activities

Group	1 April 2020	Net cash flows	Acquisition of new leases	31 March 2021
	£'000	£'000	£'000	£'000
Loans and other borrowings	3,529	(1,618)	-	1,911
Lease liabilities	5,619	(2,111)	5,132	8,640
Total financing liabilities	**9,148**	**(3,729)**	**5,132**	**10,551**

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.