

Northern Foods Grocery Group Limited

Annual report and financial statements

For the 52 weeks ended 31 July 2021

Company registration no. 00313761

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Northern Foods Grocery Group Limited

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Northern Foods Grocery Group Limited

Officers and professional advisers

Directors

R S Boparan
R K O Kers
C A Tomkinson

Registered office

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West Yorkshire
WF2 8EE

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LS1 2HL

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Plumtree Court
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London
EC4A 4AU

National Westminster Bank Plc
250 Bishopsgate
London
EC2M 4AA

Northern Foods Grocery Group Limited

Strategic report

The directors present their Strategic Report for the Company for the 52 weeks ended 31 July 2021.

Business overview and principal activities

Northern Foods Grocery Group Limited ("the Company"), is a wholly owned subsidiary of the group headed by Boparan Holdings Limited ("the Group"). The principal activity of the Company during the period was the manufacture and sale of bakery products. There have not been any significant changes in the Company's principal activities in the period under review; the trade of the Company continues to be the manufacture and sale of bakery products, notwithstanding the disposal of trade and assets as discussed below.

The results are shown in the statement of income and retained earnings on page 10. The Company has made a profit for the period of £183,825,000 (2020: £12,069,000). The current period result includes £11,614,000 restructuring costs (2020: £nil), Group recharges in respect of the Company's share of the funding contributions paid into the Northern Foods defined benefit pension schemes of £4,766,000 (2020: £4,766,000) and £184,487,000 profit on sale of subsidiary.

The Company made no research and development expenditure in the period (2020: £2,840,000).

Trading performance and key performance indicators

The Group monitors all key performance indicators (KPIs) on a divisional basis. Selected Group KPIs relevant for the Company have been calculated as follows:

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
Turnover	86,598	209,247
Gross profit margin	14.4%	17.0%
Operating (loss) / profit before restructuring and share of pension funding	(1,759)	8,066
Profit before taxation	190,592	13,912

Reported turnover for the 52 weeks ended 31 July 2021 was £86,598,000 (53 weeks ended 1 August 2020: £209,247,000), an decrease of 58.6%. The reduction in revenue is due to the disposal of the Fox's biscuits business in the period.

Gross profit margin has reduced from 17.0% to 14.4%, the reduction is due to the disposal of the Fox's biscuits business in the period.

The Company had net assets of £334,387,000 as at 31 July 2021 (2020: £150,562,000). The increase in net assets for the period is as a result of the profit for the period

Further information on the Group's KPIs is disclosed in the Group's annual report which does not form part of this annual report. These are included in the strategic report on page 2 of the Boparan Holdings Limited annual report and financial statements for the 52 weeks ended 31 July 2021 ("the Group annual report"). These are available as detailed in note 22.

Northern Foods Grocery Group Limited

Strategic report (continued)

Principal risks and financial risk management

The Company's main customers are the UK's leading supermarkets, and the strength of these customers, combined with competitive pressure in the industry, represent continuing risks which could result in lost sales to key competitors and future uncertainties on the Company's revenues and profits.

The Company seeks to manage the risks presented by its consolidated customer base, and the highly competitive environment that characterises the industry, through its strategy of pursuing a competitive high service and quality / low-cost model targeted across a portfolio of categories where it has good market positions. The Company seeks to manage changes in customer preference by investing in consumer insight to understand trends in the market and then adjusting existing product mix or developing new products to address these trends.

The Company's principal financial instruments comprise trading intercompany balances, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The Company's customers have favourable credit ratings and the credit risk on trade debtors is managed through regular monitoring of overdue amounts and review of customer credit limits. The Company is financed by intergroup loans from its parent company and so does not have any direct exposure to external financing.

The Company faced substantial headwinds in 2020/21, from the COVID-19 pandemic, cost inflation and labour shortages. Cost inflation is expected to accelerate throughout 2021/22. Price ratchet agreements and pass-through mechanisms covering raw materials are in place. Price increases with our customer base to recover these increased costs and this programme of cost recovery has been communicated to our customers. It is expected that these targeted increases will be seen by the customer base in the context of a widespread reset of food prices in the market and it is essential that customers commit to the programme of price increases to facilitate cost recovery.

Labour shortages are an issue across the UK economy, and are not solely confined to this business or even our industry, with the availability of labour significantly restricted as a result of people leaving the country following BREXIT, as well as ongoing staff absence as a result of COVID-19. We are working on initiatives to improve the attraction and retention of labour, including agreeing new payrates are being introduced as well as simplifying operations and product offering.

Further risks, such as those relating to food safety and health and safety, are managed on a group wide basis and as such are discussed in the Group annual report, which is available as detailed in note 22.

The Board is regularly updated on the evolving risks of COVID-19 and monitors developments closely. Whilst absences, social distancing and materials shortages have been challenging operationally, it continues to prioritise the safety of our products and the wellbeing of employees.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1.

Post balance sheet events

On 23 November 2021 the directors secured access to a further funding facility of £10m, "Term Loan B", maturing in May 2025.

On 24 November 2021 the directors secured additional funding of £50m through an additional note issuance that mirrors the terms of the existing sterling Senior Loan Notes totalling £475m maturing in November 2025.

On 12 February 2022 the trade and assets and Uttroter site were sold for total consideration of £1 to Elkes Biscuits Limited and Amber Real Estate Investments (Industrial) Limited respectively, companies related by virtue of common control.

Northern Foods Grocery Group Limited

Strategic report (continued)

Our stakeholders

Section 172(1) statement

As a Board, we understand our long-term growth and success are dependent on engagement with all stakeholders. We continually consider how to make our decision making process more inclusive in order to involve our key stakeholders.

The leadership teams of the Group and each business unit make decisions in accordance with highest standards and Group policies with the long term success of the Group in mind. In taking these decisions, the Directors and leadership teams have regard for the likely consequence on the different stakeholders in both the short and long term.

Our decision making process through the current pandemic is a prime example of how we consider all stakeholders. The impact of COVID-19 has been widespread and we engaged with our colleagues and their representatives, our customers and suppliers, our bondholders and pension trustees to ensure we could continue to produce and supply food in a safe and efficient way.

Sustainability is a key priority for us. We aim to minimise our impact on the environment and respect the livelihoods of those working in our supply chains. It is our ambition to be the employer of choice within the Food Manufacturing Industry and to be welcomed and seen as a key part of the local community in which we operate.

Engagement with our main stakeholder groups is summarised below.

Why we engage	How we engage	What matters most to our stakeholders	How we respond	Current year considerations and actions
<i>Our people</i>				
It is our colleagues that drive the business. We want our colleagues to feel valued, so it is important to understand what matters to them	Internal communication of developments Staff engagement surveys and "temperature" checks Intranet Appraisals process Colleague magazine	Employee health & safety Employee wellbeing Career and personal development opportunities Employee engagement & retention Fair pay and conditions Improved working environment	Employee engagement score improvement Annual appraisals including review of development plans Introduction of Hybrid working	Welfare fund Working from home (where possible) Site/office risk assessments Socially distancing Additional PPE Education and guidance Twice weekly Group COVID management meetings
<i>Our customers</i>				
We need to understand customer and consumer demands in order to create innovative products and respond to new trends By engaging and sharing ideas with customers we can identify new ways of working together	Key teams engage with customers in all areas to ensure effective communication	Our customers want quality products at a price that represent value for money underpinned by good levels of service Sustainability is an important consideration as our consumers focus on the overall impact of their food choices on the environment	We continue to focus on new product development to meet emerging consumer trends	Working closely with retail customers to meet surges in demand and deliver mutually incentivising commercial structures

Strategic report (continued)

Why we engage	How we engage	What matters most to our stakeholders	How we respond	Current year considerations and actions
<i>Our suppliers</i>				
We work closely with suppliers who share our values and beliefs in food safety, provenance and quality	Audits and visits Supplier policies	We need to ensure raw materials, ingredients and packaging are supplied at the right time to the right place and that the supply chain is transparent and sustainable	We continue to undertake supplier audits to ensure the safety, traceability, quality and provenance of the raw materials that we use	Remote audits Ethical requirements
<i>Trade bodies, industry and government groups</i>				
We work with many trade bodies including, British Poultry Council (BPC), Chilled Food Association (CFA), Red Tractor. We also actively engage in key industry groups such as Food Industry Intelligence Network (Fiin), Food Industry Initiatives on Antimicrobials (FIIA) and Food Network, Ethical Trade(FNET), and DEFRA and Public Health England (PHE) engaged through the Food Resilience Industry Forum	Our Directors and senior management sit on steering committees, groups & boards including co-chairing some prominent industry groups such as FIIN and the IGD Sustainable diets forum.	BPC sets policies for the poultry industry; Red Tractor provides assurance that products are safe, traceable and farmed with care, and the RSPCA certifies higher welfare farming systems. FIIN shares industry intelligence on Food integrity. FIIA supports farming practices for reduction and responsible use of antibiotics. FNET supports ethical trade and human rights especially in our supply chains.	We continue to provide input, resources and leadership into these groups for the benefit of our business, the sectors we operate in and the food industry as a whole.	Remote support Representative on government groups Share of intelligence and best practice across the sector
<i>Our communities</i>				
We produce from 20 facilities across the UK covering multiple towns and cities. We want to be part of these communities and give back where we can	Foodbank donations Working with local schools and universities Charity fundraising We provide employment	Local communities have a justifiable expectation that businesses operate safely and sustainably. We need to reduce edible food waste and increase the amount of food that can be shared in the community	We support a wide range of projects within our local communities.	Additional food donations PPE donations to local hospitals
<i>Our financial creditors and shareholders</i>				
The Group is funded through the public markets in conjunction with a supportive banking group. Along with the shareholders and pension trustees, these external stakeholders rely on timely, accurate and insightful reporting from the Group to manage their risks	Annual Financial Accounts Quarterly updates to lenders including trading updates, financial statement and outlook Regular announcements and press releases Website including Investor Relations section	The commercial success and financial health of the Group is paramount to our lenders as they assess their appetite to support the Group going forward	We provide regular press releases and results announcements to ensure our external stakeholders have the latest information on our performance Further dialogue is had through our Investor Relations team who respond to any further queries	Regular dialogue on the impact of temporary site closures Update on financial impacts of COVID-19 on the Group Liquidity management

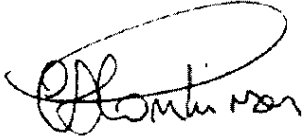
Northern Foods Grocery Group Limited

Strategic report (continued)

Future prospects

Following the disposal of trade and assets as described in note 23, it is the intention of the directors that the Company becomes dormant.

Approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C A Tomkinson', with a large, loopy flourish above the name.

C A Tomkinson
Director
7 July 2022

Northern Foods Grocery Group Limited

Directors' report

The directors present their annual report and financial statements for the 52 weeks ended 31 July 2021.

Directors

The directors who served during the period ended 31 July 2021 and up to the date of signing the financial statements are those listed on page 1.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of the directors which remain in force at the date of this annual report.

Dividends

No interim dividend was paid in the period (2020: £nil). The directors do not recommend the payment of a final dividend (2020: £nil).

Going concern

Details of the going concern basis of preparation of the Company can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Financial risk management

The financial risks faced by the Company and the way these are managed are addressed within the Strategic Report.

Future Developments

Details of future prospects of the Company can be found in the Strategic Report and form part of this report by cross-reference.

Donations

The Company made no charitable donations during the period (2020: £12,000).

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damages that might be caused by the Company's activities. The Company operates in accordance with Group policies, which are described in the Group's annual report which does not form part of this annual report which is publicly available as detailed in note 22.

Employees

Details of the number of employees and related costs can be found in note 8.

The Company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disability, marital status or religion. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

Northern Foods Grocery Group Limited

Directors' report (continued)

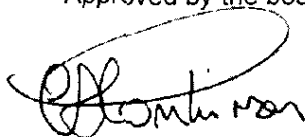
Employees (continued)

The Company uses a variety of methods to enable all its employees to understand the performance of the Group and of their own operating company. These include briefing groups, meetings with employee representatives and company newspapers. Employees are consulted on a wide range of issues affecting their current and future interests, and particularly on changes affecting the Company.

Research and development

Throughout the prior period the Company invested in food hygiene and product research in the development of new and enhanced products. The costs incurred comprise all directly attributable costs necessary to create and produce new products which are both brand new in design and those being modified.

Approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C A Tomkinson', is written over a large, loopy circular flourish.

C A Tomkinson
Director

7 July 2022

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

Northern Foods Grocery Group Limited

Statement of income and retained earnings

For the 52 weeks ended 31 July 2021

	Note	52 weeks ended 31 July 2021 £'000	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000	53 weeks ended 1 August 2020 £'000
Turnover	3		86,598		209,247
Cost of sales			(74,165)		(173,616)
Gross profit			12,433		35,631
Distribution costs			(5,096)		(13,265)
Administrative expenses:					
- before restructuring and share of pension funding			(9,096)	(14,300)	
- restructuring	4		(11,614)	-	
- share of pension funding	4		(4,766)	(4,766)	
			(25,476)		(19,066)
Operating (loss) / profit:					
- before restructuring and share of pension funding			(1,759)	8,066	
- restructuring	4		(11,614)	-	
- share of pension funding	4		(4,766)	(4,766)	
Operating (loss) / profit	6		(18,139)		3,300
Interest receivable and similar income	9		24,244		10,612
Profit on sale of subsidiary	5		184,487		-
Profit before taxation			190,592		13,912
Taxation on profit	10		(6,767)		(1,843)
Total comprehensive profit for the period			183,825		12,069
Retained earnings at the start of the period			149,942		137,873
Retained earnings at the end of the period			333,767		149,942

Northern Foods Grocery Group Limited

Balance sheet

As at 31 July 2021

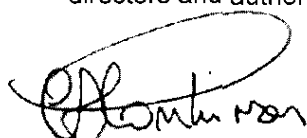
	Note	31 July 2021 £'000	1 August 2020 £'000
Fixed assets			
Tangible fixed assets	12	176	35,288
Current assets			
Inventories	13	3,626	30,366
Debtors	14	410,131	205,644
Deferred tax asset due after more than one year	15	4,511	5,422
Cash at bank and in hand		-	1
		418,268	241,433
Creditors: amounts falling due within one year	16	(83,897)	(125,397)
Net current assets		334,371	116,036
Total assets less current liabilities		334,547	151,324
Creditors: amounts falling due after more than one year	16	(160)	(762)
Net assets		334,387	150,562
Capital and reserves			
Called up share capital	17	620	620
Profit and loss account		333,767	149,942
Shareholders' funds		334,387	150,562

For the 52 weeks ended 31 July 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

No members have required the Company to obtain an audit of its accounts for the 52 weeks ended 31 July 2021 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of the accounts.

The financial statements of Northern Foods Grocery Group Limited were approved by the board of directors and authorised for issue on 7 July 2022. They were signed on its behalf by:



C A Tomkinson
Director
Company Number 00313761

**Notes to the financial statements
For the 52 weeks ended 31 July 2021**

1. Accounting policies

Basis of accounting

Northern Foods Grocery Group Limited is a company incorporated in the United Kingdom and prepares its financial statements under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling, because that is the currency of the primary economic environment in which the Company operates. These financial statements are also presented in pounds sterling.

Financial Reporting Standard 102 – reduced disclosure exemptions

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions available to it in FRS102 Paragraph 1.12. In preparing these financial statements, exemptions have been taken in respect of:

- The requirements of Section 3; Financial Statement Presentation paragraph 3.17(d), and Section 7, Statement of Cashflows;
- The requirements of Section 11; Basic Financial Instruments paragraphs 11.41(b) - (c), 11.41 (e) - (f), 11.42, 11.44 - 11.45, 11.47, 11.48(a)iii) – (a)iv), 11.48(b) – (c);
- The requirements of Section 12; Other Financial Instruments Issues paragraph 12.26 -12.1, 12.29(a) – (b) and 12.29A; and
- The requirements of Section 33; Related Party Disclosures paragraph 33.7.

The Company is consolidated in the financial statements of its ultimate parent, Boparan Holdco Limited, copies of which may be obtained from the Company's registered office at Colmore Court, 9 Colmore Row, Birmingham, B3 2BJ.

The company has also presented a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity in accordance with FRS102 paragraph 6.4.

Group financial statements

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly owned subsidiary of Boparan Holdings Limited which is the smallest group of undertakings which prepare publicly available consolidated accounts that incorporate the results of the Company, see note 22 for further details. Therefore these financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

In determining whether the Company report can be prepared on a going concern basis, the directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review included the financial position of the Group, its cash flows, liquidity position, borrowing facilities and covenants.

The going concern of the Company is therefore dependent on the going concern of the Group.

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

1. Accounting policies (continued)

Going concern

The key factors considered by the directors were as follows:

- consideration of detailed forecasts prepared for the 12-month period from the date of approval of the annual report and the application of sensitivities to those forecasts;
- the implications of the ongoing challenging economic environment and future uncertainties on the Group's revenues and profits and its ability to meet financial covenants;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group has access to a committed bank facility and invoice discounting facility to meet day to day working capital requirements;
- the impact of COVID-19 on the business and its prospects; and
- the potential impacts of the conflict in the Ukraine.

The BHL Board is regularly updated on the evolving risks of the ongoing COVID-19 situation, and wider challenges within the UK manufacturing environment, and wider global supply chain, and continues to monitor developments closely.

The Group seeks to mitigate the ongoing disruption within the UK manufacturing sector specifically in the areas of inflationary pressures and ongoing constraints within the labour market through a combination of targeted commercial price recovery mechanisms and seeking greater efficiencies and simplification initiatives within its own operations. The Group maintains a commanding position within the UK poultry market specifically which enables the Group to maintain a strong position for *passing through cost increases to UK food retailers*.

The Group has a number of agreements in place with customers to pass through cost increase automatically through pricing. The Group is working with customers to expand the scope of its pass through ratchets as well as the speed at which changes are passed through into pricing. Whilst the magnitude of the increases and the speed of recovery could cause uncertainty in the cashflows in the short term, the Group has had success in passing through significant inflation over the last twelve months, and has a high level of confidence in its ability of the business to recover future inflation. This includes the further inflationary headwinds brought by the war in Ukraine.

The directors have considered a sensitivity reflecting a net 25% reduction in base plan EBITDA as a reasonable worst case scenario; under this scenario, no breach is identified in respect of either cash or covenant headroom, with headroom remaining in this sensitised scenario

Though the directors do not consider the operational performance presented in the reasonable worst case scenario a likely outcome for the Group, it is prudent to consider that scenario.

The key factor to consider when reviewing the reasonable downside scenario is the ability of the Group to meet its EBITDA covenant test. The Group expects to meet a covenant test in each period including under a reasonable worst case scenario.

As at the date of this report, having assessed a reasonable worst case scenario and mitigation strategies available the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in business for the foreseeable future being a period of not less than 12 months from the date of approval of the annual report and financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

1. Accounting policies (continued)

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales related taxes.

The Company provides trade discounts, primarily in the form of rebate arrangements or other incentive arrangements, to its customers. The arrangements can take the form of volume related rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Company recognises revenue net of such discounts over the period to which the arrangement applies.

Sales of goods are recognised when goods are dispatched and title has passed, and to the extent that sales are invoiced in advance of delivery, income is deferred.

Supplier rebates

The Company enters into rebate arrangements with its suppliers. The arrangements are primarily volume related. The supplier rebates received are recognised as a deduction from cost of sales (or administration or distribution costs if more appropriate), based on the entitlement that has been earned up to the balance sheet date, for each relevant supplier arrangement.

Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. The policy of capitalising borrowing costs has not been adopted, and therefore borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Research and development

Research and development costs are expensed in the period to which they relate. Costs comprise all directly attributable costs necessary to create and produce new products which are both brand new in design and those being modified. Costs classified as research and development include raw materials, labour costs, artwork origination and market research directly attributable to developing the product.

Interest receivable

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks
- Exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Taxation

Current tax, both UK and overseas, is recognised for the amounts payable (or receivable) in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:

- a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

1. Accounting policies (continued)

Investments

Investments are stated at cost less impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost, less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The principal annual rates used are:

Plant, fixtures and motor vehicles	6.66% - 25%
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Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Impairment of tangible fixed assets

Assets are reviewed for impairment at each balance sheet date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the statement of income and retained earnings.

Leased assets

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives.

The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease, are similarly spread on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the FIFO (first-in, first-out) method and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective inventory where appropriate.

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

1. Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at their present value and at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

1. Accounting policies (continued)

Financial assets and liabilities (continued)

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Pensions

Defined contribution scheme

The Company operates a defined contribution pension scheme. The amount charged to the statement of income and retained earnings in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit scheme

The Company is associated with two legacy defined benefit schemes, the Northern Foods Pension Scheme ("the Scheme") and Northern Foods Pension Builder ("the Pension Builder"), which are defined benefit schemes providing members with benefits based on pay and service. The assets of the Scheme and the Pension Builder are held in Trustee administered funds separate from the finances of the Company and Group.

Northern Foods Limited, which is the sponsoring employer of the schemes, recognises the whole of the Scheme and Pension Builder assets and liabilities in its financial statements. The amount charged to the statement of income and retained earnings is the Company's share of funding contributions in the period. Further information can be found in the financial statements of Northern Foods Limited, which are available at the Company's registered address as detailed on page 1.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received, net of direct issue costs.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Inventories

The Company reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisable value of inventories, the Company is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices include the timing and success of product ranges. Further details on the value of the Company's inventory at each period end are shown in note 13.

Key source of estimation uncertainty

Customer rebates

The Company provides rebate arrangements or other incentive arrangements, to its customers. In assessing provisions required for these arrangements, the Company carefully monitors the sales levels and ensures that provisions are in line with all agreements in place with each customer.

Recognition of deferred tax assets

The Company recognised a deferred tax asset of £4,511,000 (2020: £5,422,000) at the period end. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Of the total deferred tax asset, £4,511,000 (2020: £5,383,000) relates to timing differences on capital allowances.

Fixed asset impairment

When determining whether assets are impaired, the recoverable amount of assets are determined based on the higher of net realisable value and value-in-use calculations. The value-in-use calculation requires an estimate of the future cash flows expected to arise from each cash-generating unit, along with a suitable discount rate in order to calculate present value. The Company has considered the impact of the assumptions used on these calculations and has conducted sensitivity analysis to ensure these carrying values are appropriate. Further details on the value of the Company's tangible fixed assets at each period end are shown in note 12.

Northern Foods Grocery Group Limited

Notes to the financial statements (continued) For the 52 weeks ended 31 July 2021

3. Turnover

Turnover consists of sales to third parties net of trade discounts and excluding VAT and sales related taxes.

All turnover relates to the manufacture and sale of bakery products.

An analysis of the Company's turnover by geographical market is set out below.

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
United Kingdom	85,957	201,866
Rest of Europe	641	5,344
Other	-	2,037
	86,598	209,247

4. Restructuring and share of pension funding

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
Restructuring	(11,614)	-
Share of pension funding	(4,766)	(4,766)
	(16,380)	(4,766)

There were £11,614,000 restructuring costs in the current period (2020: £nil). Following the disposal of the branded biscuits business in the year, the Group has impaired £11,614,000 of tangible fixed assets at the residual biscuits business.

Group recharges in respect of the Company's share of the funding contributions paid into the Northern Foods defined benefit pension schemes were £4,766,000 (2020: £4,766,000).

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

5. Profit on sale of subsidiary

On 31 October 2020, the Company sold the trade and assets of Fox's biscuits.

	Fox's Biscuits £'000
Fixed assets	22,647
Current assets	17,466
Net assets	40,113
 Profit on disposal of subsidiary	 184,487
Sale Proceeds	224,600
Satisfied by:	
Intercompany receivable	224,600

6. Operating (loss) / profit

Operating (loss) / profit is stated after charging:

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
Depreciation of owned tangible fixed assets (note 12)	1,831	9,529
Impairment of tangible fixed assets	11,614	563
Research and development costs	-	2,840
Operating lease rentals		
- Hire of plant and machinery	94	616
Defined contribution pension costs (note 18)	310	1,821

7. Emoluments of directors

None of the directors received any emoluments from the Company during the period (2020: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £5,440,000 (2020: £3,443,000). It is not practicable to ascertain what proportion of these emoluments relates to the Company.

The Group made contributions of £5,000 (2020: £5,000) in respect of money purchase benefits for one director (2020: two directors).

The highest paid director received total emoluments of £3,094,000 (2020: £2,053,000).

No pension contributions were made on behalf of the highest paid director during the period (2020: £nil).

Northern Foods Grocery Group Limited

Notes to the financial statements (continued) For the 52 weeks ended 31 July 2021

8. Staff costs

Staff costs (including directors), consists of:

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
Wages and salaries	12,684	57,515
Social security costs	1,045	4,933
Other pension costs (note 18)	310	1,821
	14,039	64,269

The monthly average number of employees (including directors) during the period was as follows:

	31 July 2021 Number	1 August 2020 Number
Production	494	1,839
Distribution	25	119
Administration	46	128
	565	2,086

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

9. Interest receivable and similar income

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
Group interest receivable	24,244	10,612

10. Taxation on profit

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2021 £'000
<i>United Kingdom corporation tax</i>		
Current tax on income for the period	(9,297)	(3,842)
Adjustments in respect of prior periods	2,346	(333)
Total current tax charge	(6,951)	(4,175)
<i>Deferred taxation</i>		
Net origination of timing differences	1,780	2,425
Adjustments in respect of prior periods	(2,356)	(93)
Effect of changes in tax rates	760	-
Total deferred tax credit	184	2,332
Tax charge on profit	(6,767)	(1,843)

Finance Bill 2021 was substantively enacted on 24 May 2021 with provisions to increase the corporation tax rate from 19% to 25% with effect from 1 April 2023. Accordingly, when calculating the deferred tax assets and liabilities as at 31 July 2021, all timing differences expected to reverse prior to 1 April 2023 have been calculated using the existing corporation tax rate of 19% and all timing differences expected to reverse after this date have been calculated using the corporation tax rate of 25%.

There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

10. Taxation on profit (continued)

The effective corporation tax rate is different to the standard UK corporation tax rate of 19.0% (2020: 19.0%). The differences are analysed below:

	52 weeks ended 31 July 2021 £'000	53 weeks ended 1 August 2020 £'000
Profit before taxation	190,592	13,912
Taxation charge on profit at the standard UK corporation tax rate of 19.0% (2020: 19.0%)	(36,212)	(2,643)
<i>Factors affecting the charge:</i>		
Expenses not deductible for tax purposes	(1,917)	(129)
Income not taxable	31,148	-
Amounts relating to intra-group transactions	190	705
Differences in tax rate	761	349
Adjustments in respect of prior periods	(10)	(425)
De-recognition of deferred tax asset	(727)	300
Total tax charge for the period	(6,767)	(1,843)

11. Fixed asset investments

**31 July
2021
£'000**

Investments in subsidiaries at cost and net book value:

At the start and the end of period

—

Details of the investments in subsidiary undertakings, all of which are dormant, are as follows:

Name of company	Holding	Proportion of shares held	Country of registration	Principal activity
Montgomery Bell Limited ¹	Ordinary shares	100%	Northern Ireland	Dormant
Bravo FB Limited (formerly known as Fox's Biscuits Limited) ²	Preference shares Ordinary shares	100% 50%	England and Wales	Dormant

The registered office of each undertaking is:

¹ 19 Bedford Street, Belfast, Northern Ireland, BT2 7EJ

² Trinity Park House, Fox Way, Wakefield, West Yorkshire, WF2 8EE

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

12. Tangible fixed assets

	Plant, fixtures and motor vehicles £'000
Cost:	
At 1 August 2020	239,220
Additions	980
Disposals as a result of sale of subsidiary	(166,019)
At 31 July 2021	74,181
Depreciation:	
At 1 August 2020	203,932
Charge for the period	1,831
Disposals as a result of sale of subsidiary	(143,372)
Impairment	11,614
At 31 July 2021	74,005
Net book value:	
At 31 July 2021	176
At 1 August 2020	35,288

13. Inventories

	31 July 2021 £'000	1 August 2020 £'000
Raw materials and consumables	1,714	6,187
Work in progress	66	546
Finished goods	1,846	23,633
	3,626	30,366

In the opinion of the directors the carrying value of inventories is not materially different to the replacement cost.

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

14. Debtors

	31 July 2021 £'000	1 August 2020 £'000
Amounts falling due within one year:		
Trade debtors	5,610	12,122
Amounts owed by Group undertakings	404,447	192,850
Prepayments and accrued income	74	672
	410,131	205,644

All amounts owed by Group undertakings are repayable on demand. Interest is charged at a rate of 7.1% (2020: 5.9%) on these balances.

15. Deferred taxation

	31 July 2021 £'000	1 August 2020 £'000
Asset at start of period	5,422	3,090
Current period credit to statement of income and retained earnings	2,540	2,425
Adjustments in respect of prior periods	(2,356)	(93)
Movement arising from transfer of trade	(1,095)	-
Asset at end of period	4,511	5,422

Deferred tax assets are recognised at the rate applicable at the time the underlying asset is expected to reverse, and are analysed as follows:

	31 July 2021 £'000	1 August 2020 £'000
Accelerated capital allowances	4,511	5,383
Short term timing differences	-	39
Total deferred tax asset	4,511	5,422

During the year commencing 1 August 2021, the net reversal of deferred tax assets is expected to have no impact on the corporation tax charge for the year (2020: £1,357,000 decrease).

The Company has an unrecognised deferred tax asset of £4,011,000 (2020: £2,610,000). This is made up of £3,722,000 (2020: £2,407,000) in relation to accelerated capital allowances, £244,000 (2020: £203,000) in relation to capital losses carried forward and £45,000 (2020: £nil) relates to short term timing differences as at 31 July 2021. Deferred tax is not recognised on these balances as it is uncertain whether these amounts will be utilised against future taxable profits or gains.

Northern Foods Grocery Group Limited

Notes to the financial statements (continued) For the 52 weeks ended 31 July 2021

16. Creditors

	31 July 2021 £'000	1 August 2020 £'000
Amounts falling due within one year:		
Trade creditors	6,295	39,677
Amounts due to Group undertakings	64,556	68,281
Corporation tax	9,275	6,303
Other creditors	437	1,674
Other taxation and social security	591	698
Accruals	2,743	8,764
	83,897	125,397
Amounts falling due after more than one year:		
Accruals and deferred income	160	762

All amounts due to Group undertakings are repayable on demand. Interest is charged at a rate of 7.1% (2020: 5.9%) on these balances.

17. Called up share capital

	31 July 2021 £'000	1 August 2020 £'000
Allotted, called up and fully paid:		
2,480,000 ordinary shares of 25p each	620	620

Notes to the financial statements (continued)
For the 52 weeks ended 31 July 2021

18. Pensions

Defined benefit scheme

The Company is associated with two legacy defined benefit schemes, the Northern Foods Pension Scheme ("the Scheme") and Northern Foods Pension Builder ("the Pension Builder"), which are defined benefit schemes providing members with benefits based on pay and service. The assets of the Scheme and the Pension Builder are held in Trustee administered funds separate from the finances of the Company and Group.

The Scheme and the Pension Builder are both closed to future accrual.

The parent company, which is the sponsoring employer of the schemes, recognises the whole of the Scheme and Pension Builder assets and liabilities in its financial statements. The Company recognises a cost equal to its share of funding contributions paid into the schemes for the period, which in the period ended 31 July 2021 was £4,766,000 (2020: £4,766,000).

Under a cross-guarantee the Company, with a number of other Group companies including Northern Foods Limited, jointly and severally guarantee the performance of each other's obligations to the Schemes.

Further details of the defined benefit schemes are disclosed in the notes to the financial statements of the immediate parent company, Northern Foods Limited.

Defined contribution scheme

The Company participates in the Group's defined contribution scheme for qualifying employees.

The total cost charged to income of £310,000 (2020: £1,821,000) represents contributions payable to the scheme by the Group at rates specified in the rules of the plan. As of 31 July 2021, £31,000 of contributions due in respect of the current reporting period had not been paid over to the scheme (2020: £197,000).

19. Financial commitments

Capital commitments

There were no capital commitments provided for at the period end (2020: £nil).

There were £218,000 (2020: £396,000) of capital commitments contracted for but not provided for at the period end.

Operating lease commitments

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	31 July 2021 £'000	1 August 2020 £'000
<i>Other leases expiring:</i>		
Within one year	7	432
Within two to five years	2	215
	9	647

20. Contingent liabilities

Northern Foods Grocery Group Limited and other Group subsidiary companies are guarantors in respect of the Senior Loan Notes due 2025, whereby they absolutely and unconditionally guarantee the principal and interest on the Senior Loan Notes. The same companies are cross guarantors in respect of the Boparan Holdings Group's £80m plus £10m accordion super senior Revolving Credit Facility which is a facility of Boparan Holdings Limited.

The amount drawn down on this facility at the balance sheet date was £25.0m (2020: £78.0m). The total bond value as at 31 July 2021 per the Group financial statements was £474.5m net of fees (2020: £611.8m).

The Company and its affiliates focus on proactively managing and improving its capital structure, through opportunities such as refinancing and repaying or repurchasing debt, including through redemptions, open market purchases, tender offers or other such options. Such retirements or repurchases, if any, may depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The Company and its affiliates may undertake any of these activities from time to time.

Since the balance sheet date the Group has agreed new financing arrangements. Details of this can be found in note 23.

21. Related party transactions

The Company has taken advantage of the exemption under FRS102 Section 33; Related Party Disclosures paragraph 33.7, as a wholly owned subsidiary of Boparan Holdings Limited, not to disclose related party transactions with other wholly owned members of the Group.

The Company made no donations during the period (2020: £12,000) to the Boparan Charitable Trust, a related party by virtue of common ownership. There was no outstanding creditor at the period end (2020: £nil).

22. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Northern Foods Limited, a company registered in England and Wales.

The parent company of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Boparan Holdings Limited.

The parent company of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Boparan Holdco Limited, registered in England and Wales. Copies of the consolidated financial statements can be obtained from the Company's registered office.

As at 31 July 2021 Boparan Holdco Limited was also the Company's ultimate parent undertaking. Their registered address is Colmore Court, 9 Colmore Row, Birmingham, B3 2BJ.

R S Boparan and B K Boparan are the ultimate controlling parties.

23. Post balance sheet events

On 23 November 2021 the directors secured access to a further funding facility of £10m, "Term Loan B", maturing in May 2025.

On 24 November 2021 the directors secured additional funding of £50m through an additional note issuance that mirrors the terms of the existing sterling Senior Loan Notes totalling £475m maturing in November 2025.

On 12 February 2022 the trade and assets of the Uttoxeter Site were sold for total consideration of £1 to Elkes Biscuits Limited and Amber Real Estate Investments (Industrial) Limited respectively, companies related by virtue of common control.