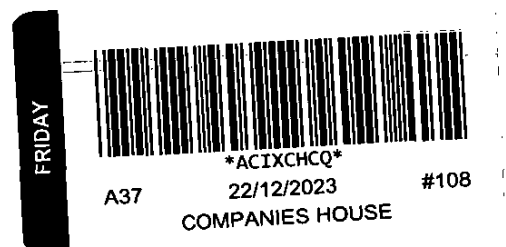


Quantum Topco Limited
Annual report and consolidated financial statements
for the 52 weeks ended 25 March 2023
Registered number 12970633



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Strategic report

Principal Activity

The company is an investment holding company for the group trading as The Compleat Food Group (the Group), formed in January 2021 through the simultaneous acquisition of Addo Food Group (Holdings) Limited and Helsinki Topco Limited.

The principal activity of the group is the manufacture of chilled and frozen savoury pastry and sweet baked goods, delicatessen and plant-based products for the retail, impulse and foodservice markets. The group also owns a number of brands, including Pork Farms, Walls, Unearthed and Squeaky Bean.

Business review and results

The group had revenue of £696.4m for the 52 week period ended 25 March 2023 (prior period: £587.4m) and made a loss after tax of £(30.9)m (prior period: £(15.9)m). During the period the group continued to build on the improved productivity of its subsidiaries, with further investment in the business however, the macro-economic environment was challenging. Margin pressures brought about by raw material and utility cost inflation were seen and the cost-of-living crisis impacted retailer footfall and consumer disposable income. The group has sought to pass price increases on to customers but also focused on delivering production automation and overhead control to improve efficiency. In January 2023, following a review of the group's footprint, the Bicester operations were consolidated into another site and that site closed. Further details of results can be found in the key performance indicators section.

The directors do not recommend the payment of a dividend (2022: £nil).

The company and group continue to enjoy the full support of its employees, the providers of the group's equity and loan stock, and the investment funds (PAI Europe VII) managed by PAI Partners Sàrl.

Key performance indicators

Management review the following key performance indicators on a monthly basis:

	2023 52 weeks	2022 52 weeks
Revenue	£696.4m	£587.4m
Sales per employee	£187k	£164k
Operating margin before exceptional costs	2.1%	4.1%

The above key performance indicators are those the directors use to manage the group on a monthly basis. Performance in the current year improved as the group continues to grow, particularly through sales prices and includes a full year of the contribution from Wrights Food Group following its acquisition in the prior year.

Sales per employee in the current period has improved as the group continues to invest in efficiencies.

Operating margin before exceptional costs has been impacted by the challenging macro-economic environment. The group continues to invest in automation opportunities and other efficiencies.

Non-financial measures are discussed later under Gender Diversity.

Principal risks and uncertainties

Trading environment

The group's main customers are the UK's leading supermarkets and food retailers. The strength of these customers, combined with competitive pressure in the industry, represents a continuing risk the group needs to address. It does so through a strategy of pursuing market leading standards of service and quality and a low cost model targeted across a portfolio of categories where it has market leading positions. The group is not reliant on any one customer and continues to mitigate this risk through maintaining strong relationships with a wide customer base.

The group manages commodity price changes by arranging fixed price contracts with terms of between six and twelve months which has mitigated some of the impact of inflation currently being felt in the market. Where fixed price contracts are not in place, notably in relation to energy contracts, inflationary pressures have needed to be addressed through efficiency programs and price increases. However as markets have started to stabilise, more fixed price contracts are becoming available again and the group has taken advantage of these where appropriate.

Strategic report (continued)

Trading environment (continued)

The Russia-Ukraine conflict continues to exacerbate the current inflationary environment. The group has no customers or suppliers in Ukraine or Russia however Ukraine and Russia are significant contributors to the global supply of sunflower oil, flour and food grade aluminium. The group has mitigated against the risk of supply chain challenges through fixed term contracts securing volume and price and in the case of sunflower oil, sought agreement from customers to move to rapeseed oil. In addition, energy inflation has impacted the group and, whilst rolling fixed term contracts have been in place, the underlying cost of consumption, in particular for baking and chilling products, has meant cost recovery has been essential. We are extremely grateful to the support of our customers during this inflationary period.

Financing risk

The group is financed by fixed rate loans from its shareholders and by bank loans. The group is therefore exposed to interest rate risk in respect of its bank loans only. However, to mitigate this risk, the group entered into two interest rate caps and has covered all its bank debt against underlying rate increases over and above the cap levels until 30 April 2024.

The group has a financial covenant under the senior facilities agreement arranged by Coöperatieve Rabobank U.A. that requires Quantum Parent Limited, a subsidiary company, to ensure that, at each relevant period ending on a quarter date, the consolidated total net leverage ratio (of the 'group' of subsidiary companies below Quantum Parent Limited) shall not exceed 7.95:1.00.

Going concern

A going concern forecast has been prepared in accordance with guidance issued by the Financial Reporting Council (FRC) 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks 2016'. The directors have set out in the accounting policies, the basis of preparation and appropriate disclosures of the justification for the Directors' belief that it is appropriate to adopt the going concern basis of preparation for these consolidated financial statements.

Loan stock – Unaudited pro forma net assets

As described in note 17, the group has a significant amount of loan stock held by its shareholders. The loan stock is repayable in 2031 or in the event of the sale of the business. It is common for private equity investors to advance capital to businesses with repayment usually delayed until the sale of the business. Accounting standards require this loan stock to be treated as a liability of the company rather than an equity instrument within capital and reserves.

Given the nature of the loan stock, the directors are of the opinion that the loan stock is akin to equity and that it is therefore appropriate to provide a *pro forma* statement of net assets showing this loan stock as equity as follows:

		2023 £000	2022 £000
	<i>Note</i>		
Non-current assets	11, 12	507,673	521,017
Current assets	15, 16	118,915	97,092
Current liabilities	14, 17, 18, 21	(113,319)	(93,881)
Non-current liabilities	14, 17, 18, 21	(581,711)	(562,016)
Net liabilities from statutory balance sheet		(68,442)	(37,788)
Loan stock	17	220,282	201,235
Unaudited net assets on a pro forma basis		151,840	163,447

Strategic report (continued)

Environment, Social and Governance (ESG)

The food industry has a central role to play in resolving the environmental and social challenges faced today. The need for food is fundamental but it also brings communities together. With more people than ever wanting to work for a business with a clear sense of purpose, the group has an opportunity to attract and retain the talent that will be key for a global sustainability transition. The group's "Food To Feel Good" strategy has been developed and an ESG impact assessment undertaken. Only by producing food that is better for the planet and for people can we create a future fit food system that works for all.

The directors are embedding its ESG strategy across the group. In the period the group has become a signatory to WRAP Courtauld 2030 and formally joined the WRAP UK Plastics Pact.

In the period we removed 63 tonnes of packaging from our products and we continue to work towards achieving the ambitious targets with our customers, suppliers and peers.

In the period the group has also become a signatory to the UK Soy Manifesto. This Manifesto is a collective industry commitment to work together to ensure all physical shipments of soy to the UK are deforestation and conversion free (cut-off date of January 2020 at the latest), fully implemented immediately where possible and no later than 2025. Compleat do not purchase soy but it is embedded in our raw materials such as pork and poultry so we are working closely with our customers, suppliers and peers to meet this commitment.

In the period we joined the Roundtable on Sustainable Soy (RTRS) and purchased 28,000 RTRS regional Matopiba credits to cover the soy within our products that was not sustainable. This was based on calendar year 2022 data compiled for the 3 Keel annual reporting required by our customers. We have shared these credits with our customers to cover their soy footprint.

In the period the group formally joined as a member of the Round Table on Sustainable Palm Oil (RSPO). We remain committed to only sourcing palm oil that is RSPO segregated or RSPO mass balance for our products.

Finally, the Group is committed to reducing food waste at our factories. Our first priority is to ensure that any excess products that can be consumed are donated to charities like FareShare. In the period we donated 88 tonnes of surplus food which is equivalent to 209 million meals (2022: 107 tonnes which is equivalent to 255 million meals)

Energy and carbon reporting

In the period we set our baseline based on our FY21 data for Scope 1, Scope 2 and Scope 3.

The primary operations and activities that account for emissions in scope 1 Scope are: on-site combustion of boilers, ovens, cookers, and other heating equipment, f-gas leaks from refrigeration

The primary operations and activities that account for emissions in scope 2 are: generation of purchased electricity for production line processes and refrigeration; on-site Combined Heat and Power Plant owned and controlled by energy services provider for production of hot water, steam and electricity for production line processes.

We used a market-based method for Scope 2 emissions.

Scope 3 was calculated using a hybrid approach using both screening and inventory.

In order to aid comparability the prior period emissions and usage have been presented under the same methodology.

Strategic report (continued)

Energy and carbon reporting (continued)

	2023 (52 weeks) MW	2022 (52 weeks) MW
Gas	78,150	111,692
Transportation fuel	6,942	9,411
Electricity	78,625	60,149
Hot water	5,160	-
Steam	1,877	-
Energy consumption used to calculate emissions	170,754	181,252
	2023 (52 weeks) tCO ₂ e	2022 (52 weeks) tCO ₂ e
Emissions from activities for which the Group is responsible, including combustion of fuel and operating facilities (Scope 1)	21,668	25,643
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2)	18,164	21,058
Emissions from business travel in rental cars or employee-owned vehicles where the Group is responsible for purchasing the fuel (Scope 3)	6,104	896
Total emissions	45,936	47,597
	2023	2022
Tonnes of CO ₂ e per £1,000 of sales	0.07	0.08

DEFRA Carbon Factors 2018 has been used as the methodology for calculating the Group's emissions.

Strategic report (continued)

Section 172 statement

The board of directors of the company both individually, and together, consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company (having regard to the matters set out in section 172(1) of the Companies Act 2006) during the period ended 25 March 2023, and in doing so have had regard to a range of matters including:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company.

The board of directors has considered its key stakeholders and the methods of engagement with each of those stakeholders, both at board level and across the business. It receives regular reports from management to enable it to monitor the quality and effectiveness of the arrangements for stakeholder engagement.

The board of directors understands that good governance includes maintaining a clear, effective, meaningful relationship with all relevant stakeholders which includes our customers, our team members, our suppliers and the local communities we operate in. The group will ensure clear and consistent communication with all stakeholders and honour its promises. Specific examples of the way in which the Directors have performed their fiduciary duty under section 172 are provided the following section.

Employee welfare

The group is recognised as a key employer with a workforce that is representative of the communities where the factories are based. The group strives to achieve an environment that encourages mutual respect and teamwork, where personal performance matters and employees are encouraged to develop and reach their full potential.

Employee engagement

The group uses a variety of methods to enable all of its employees to understand the performance of the company and of their own operating site. 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 their company. Employee surveys are used to gain valuable feedback.

Learning and development

The directors are committed to encouraging the continuous development of all employees with the objective of optimising the overall performance of the business. Training steering groups are present on our sites along with training resources that enable the sites to manage customer and technical requirements to the appropriate standards.

Corporate responsibility

The company has identified the following main areas of corporate responsibility, risk and uncertainty, which are reviewed monthly to ensure progress continues to be made.

Transparency in all our dealings

The company will ensure clear and consistent communication with all stakeholders and honour its promises.

Equal opportunities

The group is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training, career development and promotion policies are based solely on ability, without regard to gender, race, age, disablement, marital status or religion. The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Gender diversity

The below table provides a breakdown of the gender on payroll at 25 March 2023.

	Male	Female
Executive Management Board	5	2
Other management	970	397
Colleagues	1,456	837

Strategic report (continued)

Section 172 statement (continued)

Gender diversity (continued)

Based on the 2022 Gender Pay Gap Reporting, the national UK average pay gap was 14.9% (ONS Gender Pay Gap in the UK 2022, all employees). For the group's 2022 gender pay gap, the split of pay between our male and female colleagues is better than average at 6.8%. Based on the mean gender pay gap in 2022 females received 8.3% less than males which is in line with the UK mean gender pay gap of 8.3% (ONS Gender Pay Gap in the UK 2022, all employees).

Fair treatment of customers and suppliers

The group's customers expect consistently high-quality products that meet all regulatory requirements and have been manufactured to high ethical standards. The group aims to deal honestly with customers and suppliers, securing their loyalty and trust by providing outstanding products and service.

Food safety

The group strives to maintain their position at the leading edge of food safety and quality. To maintain this position the group continues to move its technical standard in line with internal and customer requirements. The group's manufacturing sites are subject to regular reviews and audits from customer technical teams and there have been no instances of non-compliance in these reviews. All the company's manufacturing sites hold a British Retail Consortium Technical Grading between AA and A and all have been successfully audited by both our customers and their local Trading Standards and Environmental Health bodies.

Health and safety

The group fully recognises and complies with the duties placed upon it under the Health and Safety at Work Act 1974 and all other relevant legislation to ensure a safe and healthy working environment. It also recognises the duty it has not only to staff, but also to customers, visitors and contractors and to any others who may be affected by its activities. The group uses risk assessment principles to manage health and safety risks. Each site has its own Health and Safety and Environmental manager and support team.

Community involvement

The group has ten sites in the UK and encourages each subsidiary company and site to be a 'good neighbour' in positively exercising its responsibilities towards the wider community.

Each site has a different involvement in the local community, involving schools via work experience or factory tours, together with sponsoring local events and landmarks.

Ethical trading

The group's Ethical Code of Practice is built on its core values and highlights the principles that guide 'how it does business'. The foundation of this code is underpinned by the Ethical Trading Initiative Base Code. The group's leadership and management team have an obligation to understand and consider this and ensure they both act in a manner that avoids any improper, illegal or unethical actions and champion this behaviour within the teams they manage. The group's code of practice is not limited to the policies and procedures which the company is committed to delivering, but also to ensuring that when its customers buy its products, they are buying goods produced without exploitation and in acceptable working conditions and the group conducts its business with integrity and respect. Through these relationships, the group aims to provide customer confidence in its products, ensuring they are of a consistently high quality and that everyone in the supply chain is treated with honesty, fairness and respect.

Environmental responsibility

The group recognises that its operations have a direct and indirect impact on both the wider environment and the environments in which it operates. The group is committed to working continuously, in collaboration with its stakeholders and employees, to contribute positively to environmental sustainability. The group recognises the importance of its environmental responsibility and monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. Each of the group's individual sites has its own environmental plan to reduce the impact it may have and reduce the effects of the group on the environment.

Recycling

Where possible, food waste is used as biofuel in preference to landfill. Additionally, plastic and cardboard containers are recycled.

Strategic report (continued)

Section 172 statement (continued)

Modern Slavery

The group is committed to eradicating modern slavery within its operations and supply chain. As an active member of Stronger Together, a multi-stakeholder initiative aiming to reduce modern day slavery, all sites demonstrate our commitment with a trained individual.

Future developments

The group will continue to grow volume and profitability through innovation, customer service, product quality and continued investment in its assets.

Signed on behalf of the board



Mark John Lane
Director
11 August 2023

Tottle Bakery
Dunsil Drive
Nottingham
NG2 1LU

Directors' report

The directors present their directors' report and consolidated financial statements for the 52 weeks ended 25 March 2023

Directors

The directors who held office during the period were as follows:

Maximilian Harrington
Colm O'Sullivan
Susan Deborah Benjamin (resigned 31 August 2022)
Gaëlle D'Engremont
Neil Grocock
Steven James Higginson
Robert Hoare
Mark John Lane
Paul John Monk
Damian Johnson Shaw
Nicholas Peter Field (appointed on 1 July 2022)
Matthew Clive Poole (appointed on 26 January 2023)

Matthew Clive Poole, Maximilian Harrington, Gaëlle D'Engremont and Colm O'Sullivan are employees of the group's private equity firm, PAI Partners Sàrl.

The group maintains directors' and officers' liability insurance. All of the above named directors have received an indemnity to the extent permitted by law from the company. Neither the indemnity nor the insurance provides cover in situations where a director has acted fraudulently or dishonestly.

Political contributions

The company made no political donations or incurred any political expenditure during the period.

Walker report

This report has been prepared in the context of recommendations made in the Walker report "Guidelines for Disclosure and Transparency in Private Equity".

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps, that they ought to have taken as a director, to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

The following information has been included in the strategic report on page 4:

- Future developments
- Employee consultation

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will continue as auditor of the company.

By order of the board



Mark John Lane
Director
11 August 2023

Tottle Bakery
Dunsil Drive
Nottingham
NG2 1LU

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the consolidated financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law, the directors have elected to prepare the group financial statements in accordance with the UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Independent auditor's report to the members of Quantum Topco Limited

Opinion

We have audited the financial statements of Quantum Topco Limited ("the company") for the 52 week period ended 25 March 2023 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and related notes, including the accounting policies in notes 1 and 25.

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 25 March 2023 and of the group's loss for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of Quantum Topco Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, and whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and staff.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved discussion between the engagement partner and the forensic professional.

All work on the group and company audit was performed by the group audit team. We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet performance targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, rationalisations and opportunities to fraudulently manipulate revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments within those components scoped in for the purpose of the group audit, to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash or revenue accounts with an unexpected account pairing, those impacting EBITDA and those transferring costs from cost of sales to property, plant and machinery.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety including food standards requirements, anti-bribery, anti-slavery, employment law, and certain aspects of company legislation recognising the nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Quantum Topco Limited *(continued)*

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

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

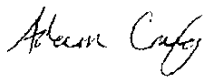
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Quantum Topco Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.



Adam Craig (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

EastWest

Tolhouse Hill

Nottingham

NG1 5FS

11 August 2023

Consolidated statement of Profit and Loss and Other Comprehensive Income

for the 52 weeks ended 25 March 2023

		52 weeks to 25 Mar 2023		52 weeks to 26 Mar 2022			
		Before exceptional items £000	Exceptional items (note 5) £000	After exceptional items £000	Before exceptional items £000	Exceptional items (note 5) £000	After exceptional items £000
	<i>Note</i>						
Revenue	3	696,391	-	696,391	587,404	-	587,404
Cost of sales		(465,303)	-	(465,303)	(444,514)	-	(444,514)
Gross profit		231,088	-	231,088	142,890	-	142,890
Distribution expenses		(26,613)	-	(26,613)	(21,062)	-	(21,062)
Administrative expenses		(191,149)	(6,488)	(197,637)	(98,699)	(3,185)	(101,884)
Other operating income	4	1,106	-	1,106	952	-	952
Operating profit / (loss)	6	14,432	(6,488)	7,944	24,081	(3,185)	20,896
Financial income	8	17,335	-	17,335	3,441	-	3,441
Financial expenses	9	(58,042)	-	(58,042)	(41,121)	-	(41,121)
Net Financing Expense		(40,707)	-	(40,707)	(37,680)	-	(37,680)
(Loss) before taxation		(26,275)	(6,488)	(32,763)	(13,599)	(3,185)	(16,784)
Tax	10	666	1,233	1,899	435	475	910
(Loss) for the period and total comprehensive		(25,609)	(5,255)	(30,864)	(13,164)	(2,710)	(15,874)
(Loss) is attributable to:							
Owners of Quantum Topco Limited		(25,369)	(5,255)	(30,624)	(13,191)	(2,710)	(15,901)
Non-controlling interest		(240)	-	(240)	27	-	27
(Loss) for the year		(25,609)	(5,255)	(30,864)	(13,164)	(2,710)	(15,874)

In the prior period the group acquired Wright's Pies Shelton Limited and Skyco Logistics Limited on 8 December 2021. Therefore the comparative period includes four months of trading, the current financial period includes a full twelve months of results. All the profit and loss is from continuing operations.

During the current and the prior period there were no items of other comprehensive income, other than those presented in the Profit and Loss account above.

The notes on pages 22 to 50 form part of these financial statements.

Consolidated balance sheet

as at 52 weeks ended 25 March 2023

	<i>Note</i>	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	11	160,364	163,925
Intangible assets	12	347,309	357,092
		<u>507,673</u>	<u>521,017</u>
Current assets			
Inventories	15	35,142	28,739
Trade and other receivables	16	63,885	49,852
Cash and cash equivalents		19,888	18,501
		<u>118,915</u>	<u>97,092</u>
Total assets		<u>626,588</u>	<u>618,109</u>
Current liabilities			
Other interest bearing loans and borrowings	17	(3,500)	(7,500)
Lease liabilities	17, 21	(3,352)	(3,162)
Trade and other payables	18	(102,905)	(81,377)
Deferred tax liabilities	14	(3,562)	(1,842)
		<u>(113,319)</u>	<u>(93,881)</u>
Non-current liabilities			
Other interest bearing loans and borrowings	17	(507,963)	(486,384)
Lease liabilities	17, 21	(38,790)	(41,560)
Trade and other payables	18	(9,297)	(4,614)
Deferred tax liabilities	14	(25,661)	(29,458)
		<u>(581,711)</u>	<u>(562,016)</u>
Total liabilities		<u>(695,030)</u>	<u>(655,897)</u>
Net liabilities		<u>(68,442)</u>	<u>(37,788)</u>

Consolidated balance sheet

as at 52 weeks ended 25 March 2023 (continued)

	Note		
Equity attributable to equity holders of the parent			
Share capital	19	10	10
Share premium		2,058	1,848
Retained earnings		(70,331)	(39,707)
		<hr/>	<hr/>
Shareholders deficit		(68,263)	(37,849)
Non-controlling interest		(179)	61
		<hr/>	<hr/>
Total equity		(68,442)	(37,788)
		<hr/>	<hr/>

The notes on pages 22 to 50 form part of these financial statements.

These financial statements were approved by the board of directors on 11 August 2023 and were signed on its behalf by:



Mark John Lane
Director
Company registered number 12970633
11 August 2023

Tottle Bakery
Dunsil Drive
Nottingham
NG2 1LU

Consolidated statement of changes in equity

For the 52 weeks ended 25 March 2023

	Called-up share capital £000	Share premium £000	Profit and loss account £000	Attributable to owners of Quantum Topco Limited £000	Non- controlling interest £000	Total equity £000
At 28 March 2021	9	1,819	(23,806)	(21,978)	34	(21,944)
Loss for the period	-	-	(15,901)	(15,901)	27	(15,874)
Total comprehensive income for the period	-	-	(15,901)	(15,901)	27	(15,874)
Transactions with owners, recorded directly in equity						
Issue of shares	1	29	-	30	-	30
Total contributions by and distributions to owners	1	29	-	30	-	30
At 26 March 2022	10	1,848	(39,707)	(37,849)	61	(37,788)
At 27 March 2022	10	1,848	(39,707)	(37,849)	61	(37,788)
Loss for the period	-	-	(30,624)	(30,624)	(240)	(30,864)
Total comprehensive income for the period	-	-	(30,624)	(30,624)	(240)	(30,864)
Transactions with owners, recorded directly in equity						
Issue of shares	-	210	-	210	-	210
Total contributions by and distributions to owners	-	210	-	210	-	210
At 25 March 2023	10	2,058	(70,331)	(68,263)	(179)	(68,442)

Consolidated cash flow statement

for the 52 weeks ended 25 March 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Cash flows from operating activities					
Loss for the period		(30,864)		(15,874)	
Adjustments for:					
Depreciation, amortisation and impairment	11,12	33,523		30,719	
Financial income	8	(3,306)		(13)	
Financial expenses	9	58,042		41,121	
Exceptional gain	5	-		(2,179)	
Movement in fair value through profit & loss	20	(8,585)		-	
Loss on disposal of property, plant and equipment		625		99	
Taxation	10	(1,899)		(910)	
		47,536		52,963	
Increase/(decrease) in trade and other receivables		(3,052)		8,678	
Increase in inventories		(6,403)		(3,721)	
Increase/(decrease) in trade and other payables		22,983		(9,604)	
Income taxes paid		(178)		-	
Net cash from operating activities			60,886		48,316
Cash flows from investing activities					
Interest received		3,306		13	
Acquisition of subsidiary, net of cash acquired		-		(50,735)	
Acquisition of property, plant and equipment		(20,498)		(27,908)	
Net cash used in investing activities			(17,192)		(78,630)
Cash flows from financing activities					
Proceeds from issue of share capital		210		30	
Proceeds from new bank loans		3,500		52,500	
Repayment of bank loans		(7,500)		(10,000)	
Repayment of lease liabilities		(5,743)		2,379	
Loan arrangement fees paid		-		(1,080)	
Interest paid		(32,774)		(17,952)	
Net cash from/(used in) financing activities			(42,307)		25,877
Net increase /(decrease) increase in cash and cash equivalents			1,387		(4,437)
Cash and cash equivalents at beginning of the period			18,501		22,938
Cash and cash equivalents at end of the period			19,888		18,501

Notes to the consolidated financial statements

1 Accounting policies

Quantum Topco Limited is a private company incorporated, domiciled and registered in England in the UK. The registered address is Tottle Bakery, Dunsil Drive, Nottingham, NG2 1LU.

The group financial statements consolidate those of the company and its subsidiaries. The parent company financial statements present information about the company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 51 to 58.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements:

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

1.1 Measurement convention

The consolidated financial statements are prepared on the historical cost basis.

1.2 Going concern

As at 52 weeks ended 25 March 2023 the group made a loss of £(30.9)m and had net liabilities of £(68.4)m. Notwithstanding this, the directors have taken steps to ensure that they can conclude that the Group has adequate resources to continue in business for the foreseeable future and thus that the going concern basis of preparation remains appropriate. The consolidated financial statements have been prepared on a going concern basis, which the directors consider appropriate for the following reasons:

- A group cash flow forecasting exercise has been performed by the directors for the 36 months from the accounting period end until the end of March 2026, including performing a sensitivity analysis over the forecasted cash flows and preparing a severe but plausible downside scenario. These forecasts, including the sensitised cash flows that reflect a severe but plausible downside scenario, showed that the group is expected to have sufficient funds available to meet its debts, including interest payments, as they fall due over that period. It also shows that the group is expected to meet its banking covenants for the same period.
- The downside scenarios considered included a period of no growth; and the loss of a major business line. Although not expected to be required even in a plausible downside scenario, the directors have identified specific mitigating actions within their control, which could be implemented to ensure continued compliance with covenants. These include lowering production volumes, temporary mothballing of certain assets and deferral of non essential overhead spend and capex projects.
- There are uncertainties involved in the cash flow projections as not all cash flows are contracted, which is normal for the industry. The directors, however, have confidence in the cash flow forecasts based on their analysis of the historical performance of the company, their knowledge of the industry and based on new business gained both during and after the period.
- The group has a £300.0m term loan and a £40.0m revolving credit facility. This facility matures in 2028 and is secured with a fixed charge against cash held in the group and a floating charge over other assets. The facility has a covenant in place which has been met throughout the financial period. The directors expect to continue to comply with this covenant throughout the going concern assessment period. The group had utilised £3.5m of the revolving credit facility at the balance sheet date, which was subsequently repaid in full post period end. At the time of signing the accounts, the revolving credit facility remains undrawn.

Notes (continued)

1. Accounting policies (continued)

1.2 Going concern (continued)

- Based on the cash flow forecasting exercise, no further funding is expected to be required by the company for the forecasted period.
- The markets in which the business operates are not considered to be at significant risk due to the current global economic downturn. History shows strong performance in economic downturns as consumers choose to eat at home rather than out of home and the product range of the company covers premium through to value offerings. This potential upside has not been factored into the going concern assessment.
- There are not believed to be any contingent liabilities that could result in a significant impact on the business if they were to crystallise.
- The directors expect the loan facility to either be renewed or repaid in full upon expiry, but this is not due until January 2028 for the term loan facility, July 2027 for the revolving credit facility and January 2031 for the loan notes.

Consequently, the directors are confident that the group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the consolidated financial statements and therefore have prepared the consolidated financial statements on a going concern basis.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Non-Controlling Interest

Non-controlling interests in the group are identified separately from the Owners of Quantum Topco Limited. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of the group is attributed to the owners of Quantum Topco Limited and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes (continued)

1. Accounting policies (continued)

1.4 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates that the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Classification of financial instruments issued by the group

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- a) *they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and*
- b) *where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.*

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Notes (continued)

1. Accounting policies (continued)

1.6 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in associates and subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes (continued)

1. Accounting policies (continued)

1.6 Non-derivative financial instruments (continued)

Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

(iv) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets that do not contain a significant financing component are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes (continued)

1. Accounting policies (continued)

1.6 Non-derivative financial instruments (continued)

(v) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All associated directly attributable costs are capitalised including employee benefits where appropriate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment	2-25 years
Freehold buildings	25 years
Leasehold buildings	Over the life of the lease
Right-of-use assets	Over the life of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

1. Accounting policies (continued)

1.8 Leases

At the inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. The term has been determined with reference to the lease agreements and any expected extension beyond the end of the lease end date specified in the lease agreement.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise,
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes (continued)

1. Accounting policies (continued)

1.9 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination. Goodwill is assessed for impairment when there are indicators of impairment or at least annually and any impairment is charged to the income statement. No reversals of impairment are recognised.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

1.10 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Acquired brands	10-20 years
Customer relationships	10-20 years

1.11 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1. Accounting policies (continued)

1.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1. Accounting policies (continued)

1.14 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.15 Revenue

Revenue is recognised on delivery of goods.

Revenue consists of sales to third parties net of trade discounts and volume rebates, and excluding VAT and sales taxes. There is an element of estimation in relation to the recognition of these discounts and rebates, see note 24.

1.16 Expenses

Finance income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Exceptional items

Exceptional items are those items that derive from events or transactions that have occurred during the period and that by virtue of their size or incidence need to be disclosed separately to enable a clearer understanding of the group's results.

1.17 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.18 UK-adopted IFRS not yet applied

The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).

Notes (continued)

2. Acquisitions of subsidiaries

Acquisitions in the Prior Period: Acquisition of Wrights Food Group

On 8 December 2021, the group acquired 100% of the ordinary shares in Wright's Pies (Shelton) Limited and Skyco Logistics Limited, together trading as Wrights Food Group. Details of the purchase consideration, net assets acquired and goodwill are as follows:

Purchase consideration	£'000
Cash paid for ordinary shares	39,175
Repayment of bank loans	3,964
Contingent consideration	8,254
Total consideration	51,393

The contingent consideration is payable if Wrights Food Group achieves a certain pre-determined level of earnings. The fair value of the contingent consideration of £8,254,000 was initially calculated by estimating the present value of the future expected cash flows. The estimates are based on a discount rate of 13.5% and assumed probability that the business meets the required level of earnings. During the current period the contingent consideration has been reassessed, resulting in an increase of £2,395,000 in the value of the liability. This has been recognised in exceptional items (see note 5).

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £'000
Property, plant & equipment	30,820
Intangible assets: Customer Relationships	12,500
Intangible assets: Brands	3,700
Inventory	2,870
Trade and other receivables	7,427
Cash and cash equivalents	658
Trade and other payables	(5,508)
Deferred tax liability	(6,067)
Net identifiable assets acquired	46,400
Add Goodwill	4,993
Net assets acquired	51,393

Wright's Food Group manufactures a wide range of savoury products, cakes and ready meals for restaurant brands, food service distributors, retailers and independent bakers.

Property, plant and equipment was fair valued using a cost approach. The fair value of £30,820,000 represents an uplift of £5,583,000 over the carrying value.

The fair value of intangible assets recognised as part of the acquisition is £16,200,000 and relates to customer relationships and brands. Customer relationships were fair valued using the multi-period excess earnings method and brands used a Relief from Royalty methodology.

The net deferred tax position reflected an adjustment of £5,446,000 related to the deferred tax liability impact of the fair value uplifts on intangible assets and property, plant and equipment as previously described.

In the 15 weeks to 25 March 2022, this subsidiary group contributed operating profit of £375,000 to the consolidated operating profit for the period. If the acquisition had taken place on 28 March 2021, this subsidiary group would have generated £66,434,000 of revenue and contributed operating profit of £1,635,000 for the period. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that would have been charged, assuming that the fair value adjustments to property, plant & equipment and intangible assets had applied from the start of the accounting period.

The fair value of acquired trade receivables was £6,648,000. The gross contractual amount for trade receivables due was £6,648,000, with no loss allowance recognised on acquisition.

Notes (continued)

2. Acquisitions of subsidiaries (continued)

Acquisition related costs

The group incurred no related costs related to legal and professional fees in the current period (FY22: £2,656,000). The costs in the prior year were included as exceptional costs within administrative expenses in the group's consolidated statement of comprehensive income.

3 Revenue

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Sale of goods	696,391	587,404
UK	694,728	585,613
Europe	1,663	1,791

4 Other operating income

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Waste income	485	481
Rent received	107	40
Staff shop and canteen sales	378	431
Other income	136	-
	1,106	952

5 Exceptional items

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Administrative expenses		
Cost of acquiring new subsidiaries	-	2,656
Fair value of contingent consideration	2,395	-
Consultancy fees	2,651	2,708
Other exceptional income	-	(2,179)
Restructuring costs	1,442	-
	6,488	3,185
Taxation	(1,233)	(475)
	5,255	2,710

Consultancy fees relate to establishing a corporate structure and associated management structure and organisational matrix.

Restructuring costs relate to internal restructuring and the transfer of the Bicester operations to another site within the Group.

Notes *(continued)*

In the prior year, other exceptional income related to pre-acquisition costs that were transferred to Goodwill.

6 Expenses and auditor's remuneration

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Operating profit is stated after charging/(crediting):		
<i>Auditor's remuneration:</i>		
Audit of these financial statements	88	75
Amounts receivable by the auditor and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	380	404
Other services	3	3
	<hr/>	<hr/>

7 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, is detailed below.

	52 weeks to 25 Mar 2023	52 weeks to 26 Mar 2022
	<i>Number of Employees</i>	<i>Number of Employees</i>
Production	2,256	2,144
Administration	1,467	1,432
	<hr/>	<hr/>
	3,723	3,576
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Wages and salaries	126,212	96,990
Social security costs	9,974	9,166
Contributions to defined contribution plans	4,115	3,700
	<hr/>	<hr/>
	140,301	109,856
	<hr/>	<hr/>

Details of directors' remuneration are included in note 26.

Notes (continued)

8 Finance income

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Bank interest receivable	3,306	13
Net foreign exchange gains	3,049	3,428
Revaluation of financial instruments (Note 20)	10,980	-
	<hr/>	<hr/>
Total interest receivable and similar income	17,335	3,441
	<hr/>	<hr/>

9 Finance expenses

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Interest on bank loans	30,241	18,190
Interest on loan stock	22,476	20,255
Amortisation of loan arrangement fees	2,950	416
Interest on lease liabilities	2,375	2,260
	<hr/>	<hr/>
Interest expense on financial liabilities measured at amortised cost	58,042	41,121
Net foreign exchange loss	-	-
	<hr/>	<hr/>
	58,042	41,121
	<hr/>	<hr/>

10 Taxation

Recognised in the income statement

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	167
Adjustment in respect of prior years	178	(1,258)
	<hr/>	<hr/>
		178
		(1,091)
<i>Deferred tax (see note 14)</i>		
Origination and reversal of timing differences	(3,975)	4,495
Changes in tax rates	(1,255)	(262)
Adjustment in respect of prior years	3,153	(767)
Fair value adjustment – acquisition accounting	-	(3,285)
	<hr/>	<hr/>
Total deferred tax	(2,077)	181
	<hr/>	<hr/>
Tax on loss	(1,899)	(910)
	<hr/>	<hr/>

Notes (continued)

10 Taxation (continued)

Tax reconciliation

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Loss for the period	(30,864)	(15,874)
Total tax (credit)	(1,899)	(910)
Loss excluding taxation	(32,763)	(16,784)
Tax using the UK corporation tax rate of 19% (2022: 19%)	(6,225)	(3,189)
Non-taxable income	(2,021)	(414)
Non-deductible expenses	3,149	903
Capital allowances in excess of depreciation not provided for	(757)	(588)
Losses carried forward not provided for	-	2
Other temporary differences not provided for	2,008	4,728
Changes in estimates related to prior years	3,332	(2,025)
Changes in tax rates	(1,255)	(262)
Consolidation adjustments	-	(65)
Total tax (credit)	(1,899)	(910)

Factors affecting the future tax charge

The main rate of UK corporation tax for the year ended 31 March 2023 was 19% and increased to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge.

Notes (continued)

11 Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 27 March 2021	51,548	79,212	130,760
Acquisitions through business combinations	16,368	15,508	31,876
Additions	3,801	24,107	27,908
Disposals	-	(920)	(920)
Fair value adjustment	(1,954)	215	(1,739)
Balance at 26 March 2022	69,763	118,122	187,885
Additions	1,561	19,243	20,804
Disposals	(132)	(664)	(796)
Balance at 25 March 2023	71,192	136,701	207,893
Depreciation			
Balance at 27 March 2021	562	2,386	2,948
Charge for the period	3,707	18,126	21,833
On disposals	-	(821)	(821)
Balance at 26 March 2022	4,269	19,691	23,960
Charge for period	4,255	19,485	23,740
On disposals	(132)	(39)	(170)
Balance at 25 March 2023	8,392	39,137	47,530
Net book value			
Balance at 27 March 2021	50,986	78,826	127,812
Balance at 26 March 2022	65,494	98,431	163,925
Balance at 25 March 2023	62,800	97,564	160,364

During the period ended 26 March 2022, following the acquisition of Addo and Helsinki, lease accounting policies were aligned using the 12-month hindsight period resulting in a fair value adjustment of £1,739,000.

At 25 March 2023 property, plant and equipment include right-of-use assets as follows:

	Land and buildings £000	Plant and machinery £000	Total £000
Right-of-use assets (net book value)			
At 26 March 2022	40,001	3,794	43,795
At 25 March 2023	36,764	3,193	39,957

Further details on leases can be found in note 21.

Notes (continued)

12 Intangible assets

	Goodwill £000	Acquired brands £000	Customer related assets £000	Total £000
Cost				
Balance at 27 March 2021	203,394	7,258	132,915	343,567
Acquisitions through business combinations	4,993	3,700	12,500	21,193
Fair value adjustment	2,567	-	-	2,567
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 26 March 2022 and 25 March 2023	208,387	10,958	145,415	367,327
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
Balance at 27 March 2021	-	65	1,284	1,349
Charge for period	-	486	8,400	8,886
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 26 March 2022	-	551	9,684	10,235
	<hr/>	<hr/>	<hr/>	<hr/>
Charge for period	-	587	9,196	9,783
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 25 March 2023	-	1,138	18,880	20,018
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
Balance at 27 March 2021	203,394	7,193	131,631	342,218
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 26 March 2022	208,387	10,407	135,731	357,092
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 25 March 2023	208,387	9,820	126,535	347,309
	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation

The amortisation charge is recognised in administrative expenses in the income statement.

Impairment review

£4,993,000 of goodwill arose on the acquisition of Wright's Pies (Shelton) Limited and its subsidiaries in December 2021. The goodwill arising on the acquisition is considered to relate to the skills of the assembled workforce, the linked nature and scale of the business, and the experience of its management at all levels. £76,850,000 of goodwill arose on the acquisition of Addo Food Group (Holdings) Limited and its subsidiaries in January 2021. The goodwill that originated from the acquisition is considered to relate to the skills of the assembled workforce, the linked nature and scale of the business, and the experience of its management at all levels. £126,544,000 of goodwill arose on the acquisition of Helsinki Topco Limited and its subsidiaries in January 2021. The goodwill that originated from the acquisition is considered to relate to the skills of the assembled workforce, supplier relationships, the linked nature and scale of the business, and the experience of its management at all levels. The group tests whether goodwill has suffered any impairment on an annual basis.

The assessment of goodwill has been considered on a separate cash generating unit (CGU) basis. Addo Food Group (Holdings) Limited, its subsidiaries and Wright's Pies (Shelton) Limited are all considered part of the same CGU (referred to as Pastry). Helsinki Topco Limited and its subsidiaries are part of a separate CGU (referred to as Deli & Plant). Determining whether there has been an impairment in the goodwill arising from either CGU requires estimations of each CGU's present value. The present value calculations require the company to estimate future cash flows expected to arise from each CGU. Key assumptions used in the present value calculations include:

CGUs will continue to operate in line with current operations.

The pre-tax discount rate is 18.0% (2022: 16.3%) for the Pastry CGU and 15.3% (2022: 13.2%) for the Deli & Plant CGU.

Notes (continued)

12 Intangible assets (continued)

Future cashflows have been forecast in line with the group's five-year plan for each CGU which has been approved by the board of directors. Cashflows beyond the year period used a terminal value growth rate of 2.5%, in line with the long term UK growth. No acquisition synergies have been included in the future cashflows.

The recoverable amount of the Pastry CGU exceeds the carrying value of the CGU by £35m. Sensitivities were performed over the assumptions with the impact as follows:

Assumption	Impact to headroom
Average 5 year EBITDA growth rate from 10.6% to 6.3%	£35m decrease
Long term growth rate from 2.5% to 0.5%	£29m decrease
Pre-tax discount rate from 18.0% to 20.4%	£26m decrease

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

The recoverable amount of the Deli & Plant CGU exceeds the carrying value of the CGU by £86m. Sensitivities were performed over the assumptions with the impact as follows:

Assumption	Impact to headroom
Average 5 year EBITDA growth rate from 8.4% to 6.3%	£61m decrease
Long term growth rate from 2.5% to 0.5%	£36m decrease
Pre-tax discount rate from 15.3% to 18.2%	£33m decrease

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

Based on the impairment testing, the directors do not believe that the carrying value of goodwill was impaired as the value in use exceeded the carrying value of the goodwill in both CGUs.

Notes (continued)

13 Investments in subsidiaries

The group and company have the following investments in subsidiaries:

	Registered office address	Class of shares held	Ownership
Direct			
Quantum Debtco Limited	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
Indirect			
Quantum Midco Limited	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
Quantum Parent Limited	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
The Compleat Food Group (Holdings) Limited (formerly Quantum Bidco Limited)	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
Helsinki Topco Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
Helsinki Midco Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
Helsinki Bidco Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
TCFG Holdings Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
The Compleat Food Group Limited^	Granville House, Wells Place, Redhill	Ordinary	100%
Wintherbotham, Darby & Co Limited^	Granville House, Wells Place, Redhill	Ordinary	100%
SSG Logistics Solutions Limited^	Granville House, Wells Place, Redhill	Ordinary	100%
The Compleat Food Group International Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
Squeaky Bean Limited^	Granville House, Wells Place, Redhill	Ordinary	100%
Winterbotham Darby Clitheroe Limited^	Granville House, Wells Place, Redhill	Ordinary	96.4%
Winterbotham Darby Bicester Limited^	Granville House, Wells Place, Redhill	Ordinary	100%
G'NOSH Limited^	Granville House, Wells Place, Redhill	Ordinary	100%
The Compleat Food Group International Inc	12655 West Jefferson Boulevard, Los Angeles	Ordinary	100%
Addo Food Group (Holdings) Limited*	Queens Drive, Nottingham	Ordinary	100%
Addo Food Group (Midco) Limited*	Queens Drive, Nottingham	Ordinary	100%
Addo Food Group (Services) Limited*	Queens Drive, Nottingham	Ordinary	100%
Addo Food Group Limited^	Queens Drive, Nottingham	Ordinary	100%
Pork Farms Limited^	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
Pork Farms Caspian Limited^	Queens Drive, Nottingham	Ordinary	100%
Wright's Pies (Shelton) Limited^	Queens Drive, Nottingham	Ordinary	100%
Skyco Logistics Limited^	Queens Drive, Nottingham	Ordinary	100%

Following the year end, the group undertook a corporate simplification and the subsidiaries marked with '*' were liquidated.

Parental Guarantee disclosures

The subsidiaries listed below, and indicated above with a '^', are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

	Registered office address	Class of shares held	Ownership
The Compleat Food Group Limited	Granville House, Wells Place, Redhill	Ordinary	100%
Wintherbotham, Darby & Co Limited	Granville House, Wells Place, Redhill	Ordinary	100%
SSG Logistics Solutions Limited	Granville House, Wells Place, Redhill	Ordinary	100%
Squeaky Bean Limited	Granville House, Wells Place, Redhill	Ordinary	100%
Winterbotham Darby Clitheroe Limited	Granville House, Wells Place, Redhill	Ordinary	96.4%
Winterbotham Darby Bicester Limited	Granville House, Wells Place, Redhill	Ordinary	100%
G'NOSH Limited	Granville House, Wells Place, Redhill	Ordinary	100%
Addo Food Group Limited	Queens Drive, Nottingham	Ordinary	100%
Pork Farms Limited	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
Pork Farms Caspian Limited	Queens Drive, Nottingham	Ordinary	100%
Wright's Pies (Shelton) Limited	Queens Drive, Nottingham	Ordinary	100%
Skyco Logistics Limited	Queens Drive, Nottingham	Ordinary	100%

Notes (continued)

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax provided is attributable to the following:

	Accelerated capital allowances	Provisions	Tax losses	Financial instruments
	£000	£000	£000	£000
At 26 March 2022	2,289	(132)	(3,766)	150
(Charged)/credited to the Statement of Comprehensive Income	3,155	16	(8,441)	682
At 25 March 2023	5,444	(116)	(12,207)	832

	DRE transitional adjustment	Fair value adjustments - acquisition accounting	IFRS 16 Transitional adjustments	Total
	£000	£000	£000	£000
At 26 March 2022	(1,219)	34,123	(145)	31,300
(Charged)/credited to the Statement of Comprehensive Income	406	1,960	145	(2,077)
At 25 March 2023	(813)	36,083	-	29,223

Of the above deferred tax liabilities, £25,661,000 (2022: £29,458,000) is held as due after more than one year.

15 Inventories

	2023 £000	2022 £000
Raw materials and consumables	25,163	25,229
Work in progress	879	729
Finished goods and goods for resale	9,100	2,781
	35,142	28,739

16 Trade and other receivables

	2023 £000	2022 £000
Trade receivables	43,945	39,170
Other receivables	14,552	3,422
Prepayments and accrued income	5,388	7,260
	63,885	49,852

Notes (continued)

17 Interest bearing loans and borrowings

This note provides information about the contractual terms of the company's interest bearing loans and borrowings, which are measured at amortised cost. For more information about the group's exposure to interest rate and foreign exchange risk, see note 20:

	2023 £000	2022 £000
Non-current liabilities		
Secured bank loans	287,681	285,149
Loan stock	220,282	201,235
Lease liabilities (Note 21)	38,790	41,560
	<u>546,753</u>	<u>527,944</u>
Current liabilities		
Secured bank loans	3,500	7,500
Lease liabilities (Note 21)	3,352	3,162
	<u>6,852</u>	<u>10,662</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	Face value and carrying amount 2023 £000	Face value and carrying amount 2022 £000
Bank loan 1	GBP	4.5% over SONIA	2027	3,500	7,500
Bank loan 2	GBP	5.5% over SONIA	2028	300,000	300,000
Loan stock	GBP	11%	2031	223,569	204,939
Lease liabilities	GBP	Various	Various	42,141	44,722
				<u>569,210</u>	<u>557,161</u>
Unamortised issue costs				(15,606)	(18,555)
				<u>553,604</u>	<u>538,606</u>

Notes (continued)

17 Interest bearing loans and borrowings (continued)

On 25 January 2021, two group companies, The Compleat Food Group (Holdings) Limited (formerly Quantum Bidco Limited) and Quantum Parent Limited, entered into a Security Accession Deed to become a chargor under a debenture dated 25 January 2021 between themselves and Cooperative Rabobank U.A as security agent for itself and other secured parties. The security contains fixed and floating charges and on 1 April 2021 additional company subsidiaries became additional chargors to this deed. As a result, the subsidiaries, TCFG Holdings Limited, The Compleat Food Group Limited, Winterbotham, Darby & Co. Limited, SSG Logistic Solutions Limited, Winterbotham Darby Bicester Limited (formerly Alatoni Limited), Pork Farms Limited, Pork Farms Caspian Limited and Addo Food Group Limited had provided security to the bank in respect of the company's bank borrowings. At the reporting date, the overall commitment of in respect of these borrowings is £303,500,000 (2022: £307,500,000).

	2023			2022				
	Bank loans	Loan stock	Lease liabilities	Total	Bank loans	Loan stock	Lease liabilities	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Within one year	3,500	-	3,352	6,852	7,500	-	3,162	10,662
Between one and five years	-	-	11,411	11,411	-	-	11,815	11,815
After five years	300,000	223,569	27,379	550,948	300,000	204,939	29,745	534,684
	303,500	223,569	42,142	569,211	307,500	204,939	44,722	557,161
Unamortised loan costs	(12,319)	(3,287)	-	(15,606)	(14,851)	(3,704)	-	(18,555)
	291,181	220,282	42,142	553,605	292,649	201,235	44,722	538,606

Loan stock of £181,566,000 are fully paid in integral multiples of £0.01. Interest of £19,972,000 was added to principal on the anniversary of its issue. The notes are unsecured and rank pari passu with all other unsecured and unsubordinated obligations of the company.

Interest accrues at 11% pa on the principal, compounds annually and at the company's discretion it is either: paid in cash when due; accrued and paid at a later date or converted into additional loan notes. The balance at 25 March 2023 includes compound interest of £38,295,000 (2022: £19,972,000), and accrued interest of £3,708,000 (2022: £3,401,000).

The notes are repayable at the earliest of an exit (a listing or sale of the company), on winding up or on 29 January 2031. As a result, the notes are considered to be falling due after more than one year.

Notes (continued)

17 Interest bearing loans and borrowings (continued)

Changes in liabilities from financing activities

	2023 £000	2022 £000
Balance at beginning of period	493,884	429,386
Changes from financing cash flows		
Proceeds from issue of loan stock	-	-
Loan arrangement fees paid	-	(1,080)
Proceeds from new bank loans	3,500	52,500
Repayment of bank loans	(7,500)	(10,000)
	<u>(4,000)</u>	<u>470,806</u>
Other changes		
Rolled up loan stock interest	22,031	23,373
Loan stock interest accrued in the prior year	(3,401)	(3,119)
Amortised loan arrangement fees	2,949	2,824
	<u>21,579</u>	<u>23,078</u>
Balance at end of period	<u>511,463</u>	<u>493,884</u>

18 Trade and other payables

	2023 £000	2022 £000
Current		
Trade payables	57,489	53,817
Other payables	26,901	10,644
Accrued expenses	18,515	16,916
	<u>102,905</u>	<u>81,377</u>
Non-Current		
Other payables	9,297	4,614
	<u>9,297</u>	<u>4,614</u>
	<u>112,202</u>	<u>85,991</u>

Notes (continued)

19 Capital and reserves

Share capital

	A ordinary shares of £0.01 each	B ordinary shares of £0.01 each	C ordinary shares of £0.01 each
On issue at start of period	759,411	65,589	129,850
Issued for cash	-	2,465	34,804
	<hr/>	<hr/>	<hr/>
On issue at end of period	759,411	68,054	164,654
	<hr/>	<hr/>	<hr/>
		2023 £000	2022 £000
Allotted, called up and fully paid			
A ordinary shares of £0.01 each		7	7
B ordinary shares of £0.01 each		1	1
C ordinary shares of £0.01 each		2	2
		<hr/>	<hr/>
		10	10
		<hr/>	<hr/>
Shares classified in shareholders' funds		10	10
		<hr/>	<hr/>

In the period the company issued 2,465 B shares for consideration of £13,000 and 36,713 C shares for consideration of £197,000 settled in cash. In the prior period the company issued 5,950 C shares for consideration of £29,000 settled in cash.

Each share in all classes of ordinary shares carries equal rights to dividends and distributions on winding up. A shares and B shares carry voting rights equivalent to one vote per share. The C shares carry no right to receive notice of, attend or vote in any circumstance at any generally meeting of the company or to vote for the purposes of any written resolution of the company.

Notes *(continued)*

20 Financial instruments

The group's financial assets and liabilities are held at amortised cost and the directors believe carrying value is a reasonable approximation of fair value.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's credit sales. It is group policy to assess the credit risk of new customers before entering contracts.

The group monitors its credit risk by monitoring the creditworthiness of existing customers and through a monthly review of the trade receivables' ageing analysis.

The ageing of trade receivables at the balance sheet date was:

	2023	2022
	Gross	Gross
	£000	£000
Not past due	31,248	34,943
1 – 30 days past due	8,173	3,656
31 – 120 days past due	2,743	783
More than 120 days past due	1,932	55
Impairment	(151)	(267)
	<hr/> 43,945	<hr/> 39,170
	<hr/>	<hr/>

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The directors regularly review both short and medium term cash flow projections in order to manage the group's cash flow. The principal liabilities of the group arise in respect of administrative expenditure, trade and other payables. The maturity of trade payables is set out in note 17, payables due after one year are all payable within two years.

Foreign currency risk

The group's exposure to foreign exchange risk is as follows:

	2023	2022
	£000	£000
Trade payables denominated in Euros	13,334	16,096
Trade payables denominated in US Dollars	4	-
	<hr/> 13,338	<hr/> 16,096
	<hr/>	<hr/>
Balance sheet exposure		

Notes (continued)

20 Financial instruments (continued)

At the year end, the Group had no financial assets measured at fair value through other comprehensive income (FVOCI).

The Group had the following financial assets measured at fair value through profit or loss:

	Carrying amount 2023	Fair value 2023	Level 1 2023	Level 2 2023	Level 3 2023
	£000	£000	£000	£000	£000
Interest rate cap	10,980	10,980	-	-	10,980

	Carrying amount 2022	Fair value 2022	Level 1 2022	Level 2 2022	Level 3 2022
	£000	£000	£000	£000	£000
Interest rate cap	-	-	-	-	-

The fair value of the interest rate cap is calculated using a marked to market calculation, using the relevant terms of the instrument including national principle, strike rate, length of instrument and SONIA rate at the period end. During the year the fair value has been reassessed and the fair value has increased given the macro-economic environment and a gain of £11.0m has been recognised in the profit and loss account in the period.

The Group had the following financial liabilities measured at fair value through profit or loss:

	Carrying amount 2023	Fair value 2023	Level 1 2023	Level 2 2023	Level 3 2023
	£000	£000	£000	£000	£000
Contingent consideration	10,649	10,649	-	-	10,649

	Carrying amount 2022	Fair value 2022	Level 1 2022	Level 2 2022	Level 3 2022
	£000	£000	£000	£000	£000
Contingent consideration	8,254	8,254	-	-	8,254

Contingent consideration is payable from the acquisition of Wrights Food Group if certain pre-determined profitability levels are achieved. Fair value is calculated by discounting future expected cash flows using a discount rate of 13.5% and assumed probability levels that the profit criteria is met. During the year the fair value has been reassessed and an increase in fair value of £(2,395,000) has been recognised in the profit and loss account in the period.

Notes *(continued)*

21 Leases

Right-of-use assets relate to lease properties are presented as property plant and equipment (see note 11). The movement in the group's right-of-use assets in the period are:

	2023 Land and buildings £000	2023 Plant and machinery £000	Total £000
Balance at 26 March 2022	40,001	3,794	43,795
Additions	-	1,212	1,212
Disposal	(132)	(561)	(693)
Depreciation charge for the period	(3,105)	(1,252)	(4,357)
At 25 March 2023	<u>36,764</u>	<u>3,193</u>	<u>39,957</u>

The movement in the group's lease liabilities during the period is as follows:

	2023 £000	2022 £000
At the beginning of the period	44,722	45,917
Additions	1,355	4,621
Disposals	(568)	-
Fair value adjustment	-	(2,902)
Payments for lease liabilities	(5,743)	(5,340)
Lease interest charge	2,375	2,426
At the end of the period	<u>42,141</u>	<u>44,722</u>

An analysis of the maturity profile of the discounted lease liabilities arising from the group's leasing activities is as follows:

	2023 £000	2022 £000
Within one year	3,352	3,162
Between one and five years	11,411	11,815
After 5 years	27,379	29,745
	<u>42,142</u>	<u>44,722</u>

Notes (continued)

21 Leases (continued)

The group utilises the exemption for capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. The following lease costs have been charged to profit or loss as incurred:

	2023 £000	2022 £000
Short-term leases	35	33
Leases of low value	-	-
	<hr/>	<hr/>
Amounts recognised in statement of cashflows	(3,062)	2,379

22 Commitments

Contracted commitments at the end of the financial period for which no provision has been made, are as follows:

	2023 £000	2022 £000
Capital – property, plant and equipment	7,545	3,349
Commodities	67,334	41,364
Pensions	-	7
	<hr/>	<hr/>

23 Related parties

Key Management Personnel are considered to be the Board of Directors and their remuneration is disclosed in note 26.

Quantum Luxco S.a.r.l is considered a related party as it is a shareholder of the company. At 25 March 2023 £205,536,000 (2022: £185,271,000) of loan note principal was due to Quantum Luxco S.a.r.l. At 25 March 2023, interest of £3,409,000 (2022: £3,127,000) was accrued in the statement of financial position relating to these loans notes. No loan note principal or interest was paid in the period (2022: nil).

At 25 March 2023 £17,774,000 (2022: £16,267,000) of loan note principal was due to management and certain employees of the group. At 25 March 2023, interest of £295,000 (2022: £275,000) was accrued in the statement of financial position relating to these loan notes. No loan note principal or interest was paid in the period (2022: nil).

In the period the company issued 2,465 B shares for consideration of £13,000 and 34,804 C shares for consideration of £197,000 settled in cash. In the prior period the company issued 5,950 C shares for consideration of £29,000 to the directors and certain management of the group.

Paul Monk is a director of the company. The group trades with a company that Paul Monk is also a director of. Costs charged in the period of £59,247 (2022: £81,198) relate to these transactions and the balance owed at the period end was £7,434 (2022: £8,302).

Various current and past senior managers are considered related parties because of their shareholding in the company. There were no transactions with these related parties in either year other than noted above.

Notes *(continued)*

24 Accounting estimates and judgements

There are no judgements, apart from those involving estimations, that the group has made in the process of applying the group's accounting policies that have significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

Assumptions made about the future and major sources of uncertainty at the end of the reporting period, which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, are:

Impairment of goodwill

The recoverable amount of the cash-generating unit is determined based on the higher of net realisable value and value in use calculations, which require the use of estimates.

The key estimates that can affect the value in use calculations are changes to the growth rates, revenue and material costs used to derive a five year forecast, or a movement in the discount rate applied to future cash flows. These are the key estimates as they are subjective in nature and significant assumptions are required and any changes to the assumptions may lead to impairment charges being recognised. The group has considered the impact of the assumptions used in the value in use calculations and has carried out sensitivity analysis on the impairment test of the carrying value. See note 12 for further details.

Other areas of estimation uncertainty

Customer deductions

The group is required to make estimates in determining the amount and timing of recognition of customer deductions due in respect of sales to its customers. In determining the amount of customer deductions due for volume related allowances in any period, the group estimates whether customers will meet purchase target volumes by the end of the arrangement, based on historical and forecast performance, and recognises this cost as a deduction from revenue over the period of the relevant arrangement. Where the deduction is related to uptake of in store promotions by end consumers, the group estimates the redemption rate based on historical performance, which is applied to sales to the customer during the promotional period, and recognises this cost over the period of the relevant promotion. Where the liabilities crystallise after the period end but before signing of the financial statements, the liabilities are assessed on the actual amount charged for the period in question.

Company balance sheet

as at 25 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Investments	27	1,288	1,288
Debtors	28	918	641
Total assets		<u>2,206</u>	<u>1,929</u>
Capital and reserves			
Called up share capital	29	10	10
Share premium		2,058	1,848
Profit and loss account		138	71
Shareholders' funds		<u>2,206</u>	<u>1,929</u>

The Company reported a profit for the year ended 25 March 2023 of £67,000 (2022: £62,000).

These financial statements were approved by the board of directors on 11 August 2023 and were signed on its behalf by:



Mark John Lane
Director
11 August 2023

Tottle Bakery
Dunsil Drive
Nottingham
NG2 1LU

Company statement of changes in equity

for the 52 weeks ended 25 March 2023

	Called-up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
At 28 March 2021	9	1,819	9	1,837
Profit	-	-	62	62
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	62	62
Transactions with owners, recorded directly in equity				
Issue of shares	1	29	-	30
Total contributions by and distributions to owners	1	29		30
At 26 March 2022	10	1,848	71	1,929
At 27 March 2022	10	1,848	71	1,929
Profit	-	-	67	67
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	67	67
Transactions with owners, recorded directly in equity				
Issue of shares	-	210	-	210
Total contributions by and distributions to owners	-	210	-	210
At 25 March 2023	10	2,058	138	2,206

Notes

25 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements except as noted below.

25.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of UK adopted international accounting standards, but makes amendments where necessary in order to comply with the Companies Act and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under s408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- key management personnel compensation.

As the consolidated financial statements of Quantum Topco Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- The disclosures required by IFRS 7 'Financial Instrument Disclosures'

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

25.2 Measurement convention

The financial statements are prepared on the historical cost basis.

25.3 Classification of financial instruments issued by the company

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- Where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

25.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities and trade and other debtors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Notes (continued)

25 Accounting policies (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

25.4 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

25.6 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

25.7 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

25.8 Expenses

Interest receivable and interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Interest income and interest payable are recognised in the profit and loss account as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Notes (continued)

25 Accounting policies (continued)

25.9 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

26 Directors' remuneration

	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Directors' remuneration	2,729	2,522
Company contributions to money purchase pension schemes	20	38
Compensation for loss of office	390	-
	<u>3,139</u>	<u>2,560</u>
<i>In relation to the highest paid director</i>		
Directors' remuneration	1,109	536
Company contributions to money purchase pension schemes	-	-
	<u>-</u>	<u>-</u>
	52 weeks to 25 Mar 2023 £000	52 weeks to 26 Mar 2022 £000
Number of directors		
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	3

Notes *(continued)*

27 Investments

	Shares in group undertakings £000	Total £000
Cost		
At beginning of period	1,288	1,288
Additions	-	-
	<hr/>	<hr/>
At end of period	1,288	1,288
	<hr/>	<hr/>
Net book value		
At 26 March 2022	1,288	1,288
	<hr/>	<hr/>
At 25 March 2023	1,288	1,288
	<hr/>	<hr/>

Notes (continued)

27 Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

	Registered office address	Class of shares held	Ownership
Direct			
Quantum Debtco Limited	Dunsil Drive, Nottingham	Ordinary	100%
Indirect			
Quantum Midco Limited	Dunsil Drive, Nottingham	Ordinary	100%
Quantum Parent Limited	Dunsil Drive, Nottingham	Ordinary	100%
The Compleat Food Group (Holdings) Limited (formerly Quantum Bidco Limited)	Dunsil Drive, Nottingham	Ordinary	100%
Helsinki Topco Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
Helsinki Midco Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
Helsinki Bidco Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
TCFG Holdings Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
The Compleat Food Group Limited	Granville House, Wells Place, Redhill	Ordinary	100%
Wintherbotham, Darby & Co Limited	Granville House, Wells Place, Redhill	Ordinary	100%
SSG Logistics Solutions Limited	Granville House, Wells Place, Redhill	Ordinary	100%
The Compleat Food Group International Limited*	Granville House, Wells Place, Redhill	Ordinary	100%
Squeaky Bean Limited	Granville House, Wells Place, Redhill	Ordinary	100%
Winterbotham Darby Clitheroe Limited (formerly Deli Solutions Limited)	Granville House, Wells Place, Redhill	Ordinary	96.4%
Winterbotham Darby Bicester Limited (formerly Alaton Limited)	Granville House, Wells Place, Redhill	Ordinary	100%
G'NOSH Limited	Granville House, Wells Place, Redhill	Ordinary	100%
The Compleat Food Group International Inc	12655 West Jefferson Boulevard, Los Angeles	Ordinary	100%
Addo Food Group (Holdings) Limited*	Queens Drive, Nottingham	Ordinary	100%
Addo Food Group (Midco) Limited*	Queens Drive, Nottingham	Ordinary	100%
Addo Food Group (Services) Limited*	Queens Drive, Nottingham	Ordinary	100%
Addo Food Group Limited	Queens Drive, Nottingham	Ordinary	100%
Pork Farms Limited	Tottle Bakery, Dunsil Drive, Nottingham	Ordinary	100%
Pork Farms Caspian Limited	Queens Drive, Nottingham	Ordinary	100%
Wright's Pies (Shelton) Limited	Queens Drive, Nottingham	Ordinary	100%
Skyco Logistics Limited	Queens Drive, Nottingham	Ordinary	100%

Following the year end, the group undertook a corporate simplification and the subsidiaries marked with "*" were liquidated.

28 Debtors

	2023 £000	2022 £000
Due after more than one year:		
Amounts owed by group undertakings	918	641
	<u>918</u>	<u>641</u>

The amounts owed by group undertakings attract an interest rate of 11% per annum and the amounts due after more than one year are repayable in 2031.

Notes *(continued)*

29 Called up share capital

	A ordinary shares of £0.01 each	B ordinary shares of £0.01 each	C ordinary shares of £0.01 each
On issue at start of period	759,411	65,589	129,850
Issued for cash	-	2,465	34,804
	<hr/>	<hr/>	<hr/>
On issue at end of period	759,411	68,054	164,654
	<hr/>	<hr/>	<hr/>
		2023 £000	2022 £000
Allotted, called up and fully paid			
A ordinary shares of £0.01 each		7	7
B ordinary shares of £0.01 each		1	1
C ordinary shares of £0.01 each		2	2
		<hr/>	<hr/>
		10	10
		<hr/>	<hr/>

In the period the company issued 2,465 B shares for consideration of £13,000 and 36,713 C shares for consideration of £197,000 settled in cash. In the prior period the company issued 5,950 C shares for consideration of £29,000 settled in cash.

Each share in all classes of ordinary shares carries equal rights to dividends and distributions on winding up. A shares and B shares carry voting rights equivalent to one vote per share. The C shares carry no right to receive notice of, attend or vote in any circumstance at any generally meeting of the company or to vote for the purposes of any written resolution of the company.