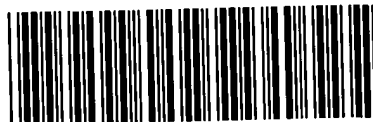


Pork Farms Caspian Limited
Annual report and financial statements

Registered number 09104836
52 weeks ended 28 March 2020

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Strategic report

Principal activity

The principal activity of the company is the manufacture of chilled savoury pastry for the retail, impulse and foodservice markets, in both branded and retailer branded products.

Business model

The business is well known for being an innovative supplier to the market and has introduced several new products each year. This is done through our own development chefs, in collaboration with our customers. The company operates in four key chilled savoury snack markets; hot pie, cold pie, rolls, and snacking

Ingredient prices are often driven by commodity markets, but are monitored and where appropriate the company takes steps to fix costs.

The manufacturing process is under constant review and where appropriate the business invests in capital projects to improve processes and reduce its cost base.

Business review and results

During the period ended 28 March 2020, there was continued recovery from a major new piece of business that was implemented in the prior year. This included a transfer of product lines and consultancy to improve the operational performance of the business (see note 3). Turnover increased by £4.3m and operating profits before adjusted items by £2.6m as the full benefit of the new business implemented in the prior year started to show.

After the year end, the decision was made to transfer the product lines made at the Spalding site to other manufacturing sites in the group, along with various assets. An offer was subsequently received to purchase the property and remaining assets for £2.85m. An impairment of £1.1m has been recognised in these accounts for assets where the fair value was less than the carrying value.

	52 weeks to 28 Mar 2020 £m	52 weeks to 30 Mar 2019 £m
Turnover	117.7	113.4
Operating profit/(loss) before adjusted items	1.6	(1.0)
Adjusted items	(3.3)	(2.7)
Loss after tax	(6.3)	(7.6)
Net current liabilities	(17.5)	(15.4)
Net liabilities	(30.8)	(24.5)

The directors do not recommend the payment of a dividend (2019: £nil).

The company continues to enjoy the full support of its employees, its finance provider, PNC Financial Services UK Limited, Addo Food Group (Services) Limited's finance providers, and its ultimate parent company's principal equity and loan stock providers, investment funds managed by LDC (Managers) Limited. The company's retail banking facilities continue to be provided by Lloyds Bank plc.

Key performance indicators

Management review the following key performance indicators on a monthly basis. Turnover has increased and operating margins continue to improve. However, they are under pressure from customer demands and cost inflation.

	2020 52 weeks	2019 52 weeks	2018 53 weeks	2017 52 weeks
Turnover	£117.7m	£113.4m	£109.7m	£104.0m
Sales per employee	£112.7k	£101.1k	£101.3k	£89.1k
Operating margin before adjusted items	1.4%	(0.9)%	(1.0)%	(3.3)%
Debtor days	39 days	41 days	41 days	48 days

Principal risks and uncertainties

Trading environment

The company's main customers are the UK's leading supermarkets and food retailers. The strength of these customers, combined with competitive pressure in the industry, represent continuing risks that could result in lost sales to key competitors.

Strategic report (continued)

The UK is expected to leave the European Union in our next financial period. The company has assessed the effect of the full implementation of current published tariffs and a worsening of the country's general economic performance. This assessment has been included within the going concern review carried out by the directors.

Shortly before the period end, the UK had outbreak of Covid-19 and a national lockdown had been implemented. This has not had an adverse impact on the company's sales, however costs have been incurred after the year end for health and safety requirements and changes to working practices.

The company seeks to manage the risks presented by its consolidated customer base, and the competitive supply side environment that characterises the industry, through a strategy of pursuing a competitive high standard of service and quality and a low cost model targeted across a portfolio of categories where it has good market positions.

The company manages commodity price changes by a forward buying strategy.

Financing risk

The company is financed by fixed rate inter-company loans from its parent company and by floating rate bank loans. The company is therefore exposed to interest rate risk in respect of its bank loans only.

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 as to how a positive assessment on going concern has been reached.

Loan stock – pro forma net assets

As described in note 16, the company has a significant amount of loan stock held by its shareholders. The loan stock is repayable on 13 January 2037.

Accounting standards required 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 it would be appropriate to provide a pro forma statement of net assets showing this loan stock as equity as follows:

		2020 £000	2019 £000
	<i>Note</i>		
Fixed assets		20,006	20,642
Net current liabilities		(17,529)	(15,411)
Creditors: amounts falling due after more than one year	15	(33,269)	(29,763)
Net liabilities from statutory balance sheet		(30,792)	(24,532)
Loan stock	15	32,731	29,763
Net assets on a pro forma basis		1,939	5,231

Directors duties in accordance with s172 Companies Act 2006

The board of directors of Pork Farms Caspian Ltd consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole in the decisions taken during the year ended 28 March 2020. The sections below cover how the directors have fulfilled their duties.

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.

Food safety

All of the company's sites hold a British Retail Consortium Technical Grading between AA* and B and all have been successfully audited by both our customers and their local Trading Standards and Environmental Health bodies. Pork Farms Caspian Limited has in place a central supplier auditing function that approves and monitors all raw material and packaging

Strategic report *(continued)*

suppliers in conjunction with the site procurement teams. The company also continues to move its technical standards forward in line with our brand and customer requirements.

Fair treatment of customers and suppliers

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

Transparency in all our dealings

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

Employee welfare

Pork Farms Caspian Limited is recognised as a key employer with a workforce that is representative of the communities where the factories are based. The company 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. 'Wellbeing' weeks and events were introduced across the business to promote health and medical screening.

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.

Health and safety

Pork Farms Caspian Limited 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 company uses risk assessment principles to manage Health and Safety risks. Each site has its own Health and Safety and Environmental manager and support team.

Equal opportunities

The company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disablement, marital status or religion.

Employee engagement

The company 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.

Community involvement

Pork Farms Caspian Limited has two manufacturing sites in the UK. The company endeavours 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.

After the year end, one of the manufacturing sites was closed following the transfer of product lines to other sites in the group.

Ethical trading

The company'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 company'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 company'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 company conducts its business with integrity and respect. Through these relationships, the company 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.

Strategic report *(continued)*

Environmental responsibility

The company recognises that its operations have a direct and indirect impact on both the wider environment and the environments in which it operates. The company is committed to working continuously, in collaboration with its stakeholders and employees, to contribute positively to environmental sustainability. The company 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 company's activities. Each of the company's individual sites has its own environmental plan to reduce the impact it may have and reduce the effects of the wider group on the environment.

Recycling

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

Future developments

The company 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



Leyon Scott
Director
24 September 2020

Tottle Bakery
Queens Drive
Nottingham
NG2 1LU

Director's report

The directors present their directors' report and financial statements for the 52 weeks ended 28 March 2020.

Directors

The directors who held office during the period and up to the date of this report were as follows:

Susan Benjamin (known as Deborah Bolton)
Leyon Scott (appointed 31 January 2020)
Graham Rutter (resigned 31 January 2020)
Jamie Roberts (appointed 26 April 2019, resigned 4 September 2019)
Christopher Peters (resigned 31 May 2019)

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".

Energy and carbon reporting

	2020 MWh
Gas	40,335
Electricity	19,772
Energy consumption used to calculate emissions	60,107
	2020 tCO ₂ e
Emissions from activities for which the company is responsible, including combustion of fuel and operating facilities (Scope 1)	7,416
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2)	5,053
Total emissions	12,469
	2020
Tonnes of CO ₂ e per £1,000 of sales	0.11

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

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 he ought to have taken as a director, to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Director's report *(continued)*

Other Information

In accordance with the Companies Act 2006 section 414C (11), the following information has been included in the Strategic Report on page 1:

- Future developments
- Employee consultation
- Principal risks and uncertainties

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



Leyon Scott
Director
24 September 2020

Tottle Bakery
Queens Drive
Nottingham
NG2 1LU

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the result of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.



KPMG LLP

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
United Kingdom

Independent auditor's report to the members of Pork Farms Caspian Limited

Opinion

We have audited the financial statements of Pork Farms Caspian Limited ("the company") for the period ended 28 March 2020 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 March 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company 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 company or to cease its operations, and as they have concluded that 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 its 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

Independent auditor's report to the members of Pork Farms Caspian Limited (continued)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 7, 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 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 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.

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.



Craig Parkin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

24 September 2020

Profit and loss account and other comprehensive income

for the 52 weeks ended 28 March 2020

		52 weeks to 28 Mar 2020			52 weeks to 30 Mar 2019		
	Note	Before adjusted items £000	Adjusted items (see note 3) £000	Total £000	Before adjusted items £000	Adjusted items (see note 3) £000	Total £000
Turnover	2	117,738	-	117,738	113,354	-	113,354
Cost of sales		(91,317)	(1,590)	(92,907)	(90,662)	(722)	(91,384)
Gross profit		26,421	(1,590)	24,831	22,692	(722)	21,970
Distribution costs		(6,202)	-	(6,202)	(6,644)	-	(6,644)
Administrative expenses		(19,040)	(1,679)	(20,719)	(17,438)	(1,939)	(19,377)
Other operating income	4	425	-	425	412	-	412
Operating profit/(loss)	5	1,604	(3,269)	(1,665)	(978)	(2,661)	(3,639)
Interest receivable and similar income	8	8	-	8	5	-	5
Interest payable and similar expenses	9	(4,603)	-	(4,603)	(3,920)	-	(3,920)
Loss before taxation		(2,991)	(3,269)	(6,260)	(4,893)	(2,661)	(7,554)
Tax	10	-	-	-	-	-	-
Loss and total comprehensive loss for the financial period		(2,991)	(3,269)	(6,260)	(4,893)	(2,661)	(7,554)

All of the activities during the current and prior period relate to continuing operations, and there were no acquisitions in the current or prior period.

There is no other comprehensive income for the period other than the loss for the period as shown above.

Balance sheet

as at 28 March 2020

	Note	2020 £000	£000	2019 £000	£000
Fixed assets					
Tangible assets	11		20,006		20,642
Current assets					
Stock	12	3,401		5,449	
Debtors	13	13,266		14,085	
Cash at bank and in hand		1,922		1,967	
		<u>18,589</u>		<u>21,501</u>	
Creditors: amounts falling due within one year	14	<u>(36,118)</u>		<u>(36,912)</u>	
Net current liabilities			(17,529)		(15,411)
Total assets less current liabilities			2,477		5,231
Creditors: amounts falling due after more than one year	15		<u>(33,269)</u>		<u>(29,763)</u>
Net liabilities			<u>(30,792)</u>		<u>(24,532)</u>
Capital and reserves					
Called up share capital	18		-		-
Profit and loss account			<u>(30,792)</u>		<u>(24,532)</u>
Shareholders' deficit			<u>(30,792)</u>		<u>(24,532)</u>

These financial statements were approved by the board of directors on 24 September 2020 and were signed on its behalf by:



Leyon Scott
Director

Registered number 09104836

Statement of changes in equity
for the 52 weeks ended 28 March 2020

	Called-up share capital £000	Profit and loss account £000	Total equity £000
At 31 March 2018	-	(16,978)	(16,978)
Loss and total comprehensive loss for the period	-	(7,554)	(7,554)
At 30 March 2019	-	(24,532)	(24,532)
Loss and total comprehensive loss for the period	-	(6,260)	(6,260)
At 28 March 2020	-	(30,792)	(30,792)

Notes

1. Accounting policies

Pork Farms Caspian Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 09104836 and the registered address is Tottle Bakery, Dunsil Drive, Nottingham, NG2 1LU.

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 International Financial Reporting Standards as adopted by the EU, 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.

The company's ultimate parent undertaking, Addo Food Group (Holdings) Ltd, includes the company in its consolidated financial statements. The consolidated financial statements of Addo Food Group (Holdings) Ltd are prepared in accordance with International Financial Reporting Standards as adopted by the EU and available to the public and may be obtained from Addo Food Group (Holdings) Ltd, Tottle Bakery, Queens Drive, Nottingham, NG2 1LU.

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;
- the disclosures required by IFRS 15 'Revenue from Contracts with Customers'.

As the consolidated financial statements of Addo Food Group (Holdings) Ltd 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'.

Changes in accounting policies

In these financial statements, the company has changed its accounting policies in the following areas:

The company has adopted the following IFRSs in these financial statements:

- IFRS 16: Leases. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

In the application of this accounting policy there has been judgements made regarding the discount rates applied to the lease liability and the terms of the lease.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

As at 28 March 2020, the company reported a loss of £6.3m, had net liabilities of £30.8m and net current liabilities of £17.5m. Notwithstanding this, the financial statements have been prepared on a going concern basis, which the directors consider appropriate for the following reasons:

- A cash flow forecasting exercise has been performed by the directors for the 42 months from the date of approval of these financial statements until the end of March 2024, including performing a sensitivity analysis over the forecasted cash flows and preparing a reasonably plausible downside scenario. These forecasts, including the sensitised cash flows that reflect a reasonably plausible downside scenario showed that the company 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. 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.
- 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. In particular, the nature and timing of the United Kingdom's exit from the European

Notes (continued)

1. Accounting policies (continued)

Union is uncertain, however the directors have considered the likely impacts of this in the cash flow forecasting exercise. These include Brexit's possible impact on both the passage of goods through UK ports, the possible impact of additional customs and duties, and the general level of activity in the UK economy.

- In April 2017, a remaining group financing facility with PNC of £22.5m was extended until at least 19 April 2022. This facility is secured against trade receivables of the group, and is used to manage day-to-day working capital levels. The group drew down in full on a loan facility of £70.0m with a maturity date of 13 April 2024, and the group issued loan stock of £37.0m with a maturity date of 13 April 2024.
- Based on the cash flow forecasting exercise, no further funding is expected 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.
- 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 facilities to either be renewed or repaid in full upon expiry, but this is not due until 19 April 2022 for the facility with PNC and 13 April 2024 for the loan facility and loan notes.
- The company has received an undertaking from its parent company, Addo Food Group (Holdings) Limited, that it will not call on the amounts owed and will continue to provide financial and operational support for the next twelve months and for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the 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 financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency 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.

Financial instruments

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 company 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 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.

Classification and subsequent measurement

Financial assets

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 company 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:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

Notes (continued)

1. Accounting policies (continued)

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets of the company are classified as amortised cost.

Investments in 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 company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Subsequent measurement and gains and losses

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.

Financial liabilities and equity

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.

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.

Impairment

The company 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 company 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 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 company 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 company'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 company is exposed to credit risk.

Notes (continued)

1. Accounting policies (continued)

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 company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example, land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Plant and machinery	2-10 years
Freehold buildings	25 years

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

Stocks

Stocks 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 stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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.

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.

Notes (continued)

1. Accounting policies (continued)

Revenue

The company derives its revenues by making and selling chilled savoury pastry. The revenue from the sale of products is recognised at the point in time at which control passes to the customer, typically when products are delivered to a customer. A receivable is recognised by the company at the point in time at which the right to consideration becomes unconditional. Therefore, the adoption of IFRS 15 on 1 April 2018 did not have an impact on the manner in which the company recognises revenue.

The company also provides the terms of various promotional programmes under which rebates, refunds, price discounts can be earned by customers for attaining agreed upon sales levels or participating in specific marketing activity. These promotional programmes do not give rise to a separate performance obligation. Where the consideration the company is entitled to varies because of such programmes, it is deemed to be variable consideration. The related accruals are recognised as a deduction from revenue and are not considered distinct from the sale of products to the customer. Variable consideration is only included to the extent that it is highly probable that the inclusion will not result in a significant revenue reversal in the future under normal commercial terms. Therefore, the variable consideration and classification requirements of IFRS 15 did not have any impact on the company's financial statements. Financing elements are not deemed to be present in the contracts with customers as the sales are made with credit terms not exceeding normal commercial terms.

Expenses

Operating lease payments

The company has applied IFRS 16 using the modified retrospective approach therefore the comparative information has not been restated and continues to be reported under IAS 17. In the prior year, payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar expenses include interest payable 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. Foreign currency gains and losses are reported on a net basis.

Adjusted items

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

Other operating income

Other operating income consists of management charges to group companies and proceeds from the disposal of waste.

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.

Notes (continued)

1. Accounting policies (continued)

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.

Leases

The company has applied IFRS 16 from 31 March 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the company 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 company 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 company 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 company by the end of the lease term or the cost of the right-of-use asset reflects that the company 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 company'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 company is reasonably certain to exercise,
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the company 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 company's estimate of the amount expected to be payable under a residual value guarantee, if the company 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 company 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 company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes (continued)

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company, and is all derived within the UK.

	2020 £000	2019 £000
Contract liabilities included within 'Accruals and deferred income'	1,135	731

3. Adjusted items

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Cost of sales		
Transfer of product lines between sites	1,350	-
Staff reductions following restructuring	78	233
Costs of preparation for Brexit	152	125
Stock damage at third party warehouse	-	215
Product recall	10	149
	1,590	722
Administrative expenses		
Restructuring consultancy	1,633	626
Preparation and implementation of transformational new contract and charging structure	-	1,290
Flood at one of the company's manufacturing sites	-	23
ERP system upgrade	46	-
	1,679	1,939
	3,269	2,661

The transfer of product lines costs relate a significant restructuring of where products are manufactured to realise operational efficiencies and have been classified as adjusted items.

The restructuring consultancy costs were incurred following a major review of the company's operational performance. Given the significant size and unusual nature of the costs, these are included within adjusted items.

4. Other operating income

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Waste income	179	230
Staff shop and canteen sales	246	182
	425	412

Notes (continued)

5. Expenses and auditor's remuneration

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Loss before taxation is stated after charging/(crediting):		
Inventories recognised as an expense	54,769	59,756
Depreciation and other amounts written off tangible fixed assets	2,541	2,301
Impairment loss on tangible assets	1,119	-
Profit on sale of fixed assets	388	-
Impairment of stock recognised as an expense/(income)	749	(100)
	<hr/>	<hr/>
Auditor's remuneration:		
Audit of these financial statements	28	28
Amounts receivable by the auditor and their associates in respect of:		
Taxation compliance services	-	15
Taxation advisory services	-	13
	<hr/>	<hr/>

6. Staff numbers and costs

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

	52 weeks to 28 Mar 2020	52 weeks to 30 Mar 2019
	Number of employees	
Production	762	810
Administration	282	311
	<hr/>	<hr/>
	1,044	1,121
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Wages and salaries	27,298	28,440
Social security costs	2,423	2,555
Contributions to defined contribution plans	662	602
	<hr/>	<hr/>
	30,383	31,597
	<hr/>	<hr/>

Notes (continued)

7. Directors' remuneration

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Directors' remuneration	215	267
Company contributions to money purchase pension schemes	16	16
Compensation for loss of office	151	48
	<u>382</u>	<u>331</u>
In relation to the highest paid director		
Directors' remuneration	87	111
Company contributions to money purchase pension schemes	16	-
	<u>103</u>	<u>111</u>
	52 weeks to 28 Mar 2020	52 weeks to 30 Mar 2019
	Number of directors	
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
	<u>2</u>	<u>2</u>

8. Interest receivable and similar income

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Interest income on unimpaired financial assets	6	5
Net foreign exchange gain	2	-
	<u>8</u>	<u>5</u>

9. Interest payable and similar expenses

	52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Interest on bank loans and overdrafts	226	164
Interest on lease liabilities	26	-
Interest on loans from group undertakings	4,312	3,714
Other interest payable	39	22
Net foreign exchange loss	-	20
	<u>4,603</u>	<u>3,920</u>

Notes (continued)

10. Taxation

	52 weeks to 28 Mar 2020 £000	£000	52 weeks to 30 Mar 2019 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	-	-	-	-
	<hr/>	-	<hr/>	-
<i>Deferred tax (see note 17)</i>				
Origination and reversal of timing differences	138		218	
Recognition of previously unrecognised timing differences	(138)		(218)	
	<hr/>		<hr/>	
Total deferred tax		-		-
		<hr/>		<hr/>
Tax on loss		-		-
		<hr/>		<hr/>
<i>Tax reconciliation</i>				
			52 weeks to 28 Mar 2020 £000	52 weeks to 30 Mar 2019 £000
Loss for the period			(6,260)	(7,554)
Total tax expense			-	-
			<hr/>	<hr/>
Loss excluding taxation			(6,260)	(7,554)
			<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2019: 19%)			(1,189)	(1,435)
Non-deductible expenses			307	119
Recognition of previously unrecognised timing differences			(138)	(218)
Group relief surrendered			1,020	1,534
			<hr/>	<hr/>
Total tax expense			-	-
			<hr/>	<hr/>

Notes (continued)

11. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Total £000
Cost			
At beginning of period	6,500	24,245	30,745
Recognition of right-of-use asset on initial application of IFRS 16	-	373	373
Adjusted balance at beginning of period	6,500	24,618	31,118
Additions	-	2,826	2,826
Disposals	(175)	-	(175)
At end of period	6,325	27,444	33,769
Depreciation			
At beginning of period	665	9,438	10,103
Charge for period	143	2,398	2,541
Impairment losses	583	536	1,119
On disposals	-	-	-
At end of period	1,391	12,372	13,763
Net book value			
At 30 March 2019	5,835	14,807	20,642
At 28 March 2020	4,934	15,072	20,006

At 28 March 2020, property, plant and equipment includes right-of-use assets as follows:

	Freehold property £000	Plant and machinery £000	Total £000
Right-of-use assets			
At 28 March	-	770	770

An offer received after the balance sheet date for the property and assets at the company's Spalding site indicated that the carrying value exceeded the recoverable amount, represented by the fair value less costs to sell, at the balance sheet date. As a result, the directors have recognised in an impairment of £1,119,000 in these financial statements.

Notes (continued)

12. Stocks

	2020 £000	2019 £000
Raw materials and consumables	2,654	3,710
Work in progress	294	243
Finished goods and goods for resale	453	1,496
	<u>3,401</u>	<u>5,449</u>

13. Debtors

	2020 £000	2019 £000
Due within one year:		
Trade debtors	12,639	12,764
Other debtors	445	1,116
Prepayments and accrued income	182	205
	<u>13,266</u>	<u>14,085</u>

14. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank loans and overdrafts	5,103	5,943
Lease liabilities	231	-
Trade creditors	10,403	13,842
Amounts owed to group undertakings	14,959	13,285
Other taxes and social security	1,082	696
Other creditors	758	414
Accruals and deferred income	3,582	2,732
	<u>36,118</u>	<u>36,912</u>

15. Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Amounts owed to group undertakings	32,731	29,763
Lease liabilities	538	-
	<u>33,269</u>	<u>29,763</u>

Notes (continued)

16. 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.

	2020 £000	2019 £000
Creditors falling due within one year		
Bank loans and overdrafts	5,103	5,943
Lease liabilities	231	-
Amounts owed to group undertakings	14,959	13,285
	<u>20,293</u>	<u>19,228</u>
Creditors falling due after more than one year		
Amounts owed to group undertakings	32,731	29,763
Lease liabilities	538	-
	<u>33,269</u>	<u>29,763</u>
Included in the above are the following amounts due after more than five years:		
Amounts owed to group undertakings	<u>32,731</u>	<u>29,763</u>

Terms and debt repayment schedule

	Currency	Nominal Interest rate	Year of maturity	Face value and carrying amount 2020 £000	Face value and carrying amount 2019 £000
Secured bank loan	GBP	2 ¼% over Barclays base rate	Rolling	5,103	5,943
Lease liabilities	GBP	3 ¼% over Barclays base rate	Various	769	-
Loan stock from parent	GBP	10%	2037	32,731	29,763
Amounts owed to group undertakings	GBP	10%	On demand	14,959	13,285
				<u>53,562</u>	<u>48,991</u>

Bank loans are secured by a fixed and floating charge on the company's assets and a charge on the company's shares.

Loan stock interest is rolled up onto the outstanding loan stock balance at the option of the company.

Lease liabilities have been recognised in accordance with IFRS 16. The term of the leases 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.

Notes (continued)

17. Deferred tax assets and liabilities

There is an unrecognised deferred tax asset of £2,190,000 (2019: £423,000) which has not been recognised on the basis that future recovery is uncertain.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 28 March 2020 has been calculated at 19% (2019: 17%).

18. Capital and reserves

	2020 No.	2019 No.	2020 £000	2019 £000
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	1	-	-

19. Leases

Right-of-use assets

Right-of-use assets relate to lease properties that are presented as property plant and equipment:

	Freehold property £000	Plant and machinery £000	Total £000
Balance at 31 March 2019	-	373	373
Additions to right-of-use assets	-	580	580
Depreciation charge for the year	-	(183)	(183)
At 28 March 2020	-	770	770

Amounts recognised in profit or loss

The following amounts have been recognised in the profit or loss account for which the company is a lessee:

Leases under IFRS 16	2020 £000
Interest expense on lease liability	26
Expenses relating to short term leases	18
Expenses relating to leases of low value assets, excluding short term leases of low value assets	-
	<hr/>
Operating leases under IFRS 17	2019 £000
Lease expense	547
	<hr/>

Notes (continued)

20. Commitments

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

	2020 £000	2019 £000
Capital - Plant and machinery	143	220
Commodities	10,023	23,747
	<hr/>	<hr/>

21. Account estimates and judgements

Critical accounting judgements

There were no critical accounting judgements.

Key sources of estimation uncertainty

Customer deductions

The company 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 company 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 company 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 year-end but before signing of the financial statements, the liabilities are assessed on the actual amount charged for the period in question.

22. Related parties

There were no related party transactions in the current or prior years.

23. Subsequent event

After the year end, the decision was made to transfer production of the product lines made at the Spalding site to other manufacturing sites in the group.

Subsequently an offer was received to purchase the land and building and remaining assets at the Spalding site for £2.85m. An impairment review was performed which resulted in an impairment of £1.1m being recognised in the year ended 28 March 2020.

24. Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Addo Food Group Ltd. The ultimate parent company and ultimate controlling party is Addo Food Group (Holdings) Ltd.

The largest and smallest group in which the results of the company are consolidated is that headed by of Addo Food Group (Holdings) Ltd, Tottle Bakery, Dunsil Drive, Nottingham, NG2 1LU. The consolidated financial statements of this group are publically available and may be obtained from Addo Food Group (Holdings) Ltd, Tottle Bakery, Queens Drive, Nottingham, NG2 1LU.

Notes (continued)

25. Change in significant accounting policies

The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 31 March 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- a single discount rate was used for the plant and equipment. This was based on previous financing that was obtained on similar assets.