

Company Registration No. SC023572

Baxters Food Group Limited

Annual Report

For the period ended 28 March 2020

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BAXTERSFOODGROUPLIMITED

DIRECTORS AND ADVISERS

Executive Chairman

Audrey C Baxter DBA

Directors

Andrew G Baxter BSc
Terence Strain-appointed 30 October 2019

Secretary

Gordon McKelvie

Company number

SC023572

Registered office

12 Charlotte Square
Edinburgh
EH2 4DJ

Registered auditor

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BAXTERSFOODGROUPLIMITED

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BAXTERSFOOD GROUP LIMITED

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 28 MARCH 2020

Business review and future developments

It gives me pleasure to present the financial statements for Baxters Food Group Limited ("the Company") and its subsidiaries (collectively the "Group") for the period ended 28 March 2020. Headquartered in Edinburgh, Scotland, the Group is a global business with operations in the UK, Europe, the United States and Australia.

For the period ended 28 March 2020, the financial statements show another strong set of results, with all business units showing year on year progression. Pre-exceptional revenue increased 2.2% to £308.6m (2019: £302.0m) and gross profit before exceptional items rose by 1.0% to £99.3m (2019: £98.4m). Excellent profit growth saw EBITDA before exceptional items 9.9% higher at £32.1m (2019: £29.2m) (removing the effect of IFRS 16). These results reflect the core strength of the business, and the continued demand for the very highest quality products.

In Europe, revenue for the period increased to £90.2m (2019: £86.9m). We launched our microwaveable soup pots during the year which was the next step into more convenient formats with further products to follow. At the time of writing the exact nature of the United Kingdom's exit from the European Union remains unclear. The extended timeframe of the exit prolongs uncertainty in the market place, which is not helpful for our business. We continue to monitor the situation closely, but as previously reported, we do not expect to see any material effects on the Group.

USA revenues for the period were US\$270.2m (2019: US\$265.8m) and now contribute approximately 69% of the Group's total revenue. This result further supports our strategy to expand in the USA and highlights the strength of the Wornick business which we acquired five years ago.

In Australia, as referenced in the previous year, the business has undergone a significant amount of change. With new retail wins and renewed focus on Food Service, the signs of recovery are being seen.

An in-depth 5-year plan was completed during the period which sets out our vision for our future. Part of that plan was realised after the balance sheet date when on 31st July 2020 the Group acquired the UK business Orexis Fresh Foods Limited, for a consideration of £6.3m. Producing quality chilled foods, the acquisition of this company will open new opportunities for the group. A family owned business like our own, we welcome its employees into the wider Baxters family and look forward to a successful future together.

The Covid-19 pandemic took hold within the final weeks of the period and has resulted in a new financial year which is different in many ways to what we have seen before. We are grateful to say that the impact so far on the group has been positive with various lockdowns in our key markets meaning more people are eating at home. With a need for quality ambient foods we have found ourselves in the fortunate position of being able to continue to provide our products throughout this time. That stands testament to the commitment and tenacity of our production staff who have ensured that our supply chain has functioned at near full capacity throughout. Whilst it is difficult to predict the path the Covid-19 crisis will take, the response of the group so far gives us cautious optimism for the future. We are also pleased to have been able to support the Government's care-pack initiative to help provide food to the more vulnerable in our society.

During the period there were a number of non-recurring items of a material nature in each of the businesses. In Europe and US, combined restructuring costs of £0.7m were incurred. In the US, a pouch quality supply issue resulted in an additional cost of £1.5m, whilst a further £1.1m was accrued under a long-term incentive plan relating to the purchase of the North American business. In Australia, a further cost of £0.1m was incurred due to terminating an onerous contract and £0.1m due to a pallet dispute.

I am pleased to report that continued progress has been made to almost eliminate the deficit in the Group's defined benefit scheme which now stands at £0.2m (2019: £5.3m). This was largely due to significant additional contributions of £4.1m (2019: £6.1m) being made to the scheme during the period. At the time of writing the triennial actuarial valuation is underway and we expect to see a significant decrease in that deficit too.

Especially so this year, I wish to personally thank the Group's employees for their hard work, dedication and loyalty to our business. Without them we would not have been able to achieve the results presented here, or be in such a strong position to meet the significant challenges ahead. This is appreciated by the board who thank you for your continued support.



.....
Audrey C Baxter DBA
Executive Chairman

7th October 2020

BAXTERSFOODGROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 28 MARCH 2020

The directors present their Strategic Report, Directors' Report and financial statements for the period ended 28 March 2020.

Principal activities

The Company is a private company headquartered in Edinburgh, Scotland. The Group and Company, are manufacturers of high-quality ambient food, supplying retail, food manufacturers and foodservice customers in the UK market and key overseas markets. High quality foods such as soups, canned meat products, sour pickles, sauces, vinegars, anti-pasti, preserves, salad and meat accompaniments are sold under a variety of brands owned by, or licensed to, the Group.

This family company has an ethos of creativity, innovation and integrity which lies at the heart of all its operations.

Review of the business and future developments

Full details of the Group's performance in the period and future developments can be found in the Chairman's statement on page 1.

Section 172 statement

This statement is intended to show how the directors have approached and met their responsibilities under s172 of the Companies Act 2006 during the period. The statement has been prepared in response to the obligations as set out in the Companies (Miscellaneous Reporting) Regulations 2018, and the UK Corporate Governance Code 2018.

As required by s172 of the UK Companies Act 2006, a Director of a Company must act in a way s/he considers, in good faith, would most likely promote the success of the company for the benefit of its Shareholders. In doing this, the Director must have regard, amongst other matters, to the:

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

During the period the directors undertook a significant project to build a 5-year plan for the Group as a whole. This undertaking, significant in both scale and detail, and involving the senior management teams of each subsidiary, sets out our vision for our future. It embeds a long-term focus within the business at a time of unprecedented short-term disruption.

Also concluded during the period was an in-depth external review of the culture and employee satisfaction within Baxters. With clear and honest feedback sought from employees, independently compiled and assessed, the findings of this report have been included within the 5-year plan by the directors. This will be a crucial cog in maintaining an effective culture which will enable the directors to ensure not only commercial success, but also maintain our reputation for business conduct.

The drive to improve customer satisfaction is a constant for the group with significant product development having been undertaken during the year with customer trials a significant component.

Key performance indicators

The Group makes use of Key Performance Indicators (KPIs) involving financial and non-financial measures. The non-financial KPIs cover areas such as Customer Service, Operational Performance and Health and Safety. The individual business units each set their own KPIs which contribute towards the Group indicators. Customer service KPIs look to resolve all complaints and reduce the number of complaints received. Operational performance KPIs are focused on achieving throughputs and deliveries based on each line, with thresholds differing within each process and each business unit. The throughputs are monitored through the standard costing process in each business unit. Health and Safety KPIs include monitoring the number of incidents and accidents.

The principal financial performance KPIs are Revenue, Gross Profit as a percentage of Revenue, EBITDA, Operating Profit as a percentage of Revenue and Net Assets. Adjusting all Income Statement KPIs for the sale of the Canadian business in the prior year, the group has increased revenue before exceptional items by 2.7% to £308.6m (2019: £300.5m). Gross profit before exceptional items has increased by 2.3% to £99.3m (2019: £97.1m). The gross profit before exceptional items as a percentage of turnover remains unchanged at 32% (2019: 32%), ranging from 20% to 34% across the Group's subsidiaries reflecting the mix of branded and Private Label business undertaken. EBITDA before exceptional items, and removing the impact of IFRS16 has increased by 10% to £32.1m (2019: £29.2m). The Group's operating profit before exceptional items and again discounting the new lease standard, as a percentage of Revenue increased by 0.4% to 6.9% (2019: 6.5%).

The Group's net assets, increased by 9.3% to £101.9m (2019: £93.2m) excluding the effect of IFRS16.

BAXTERS FOOD GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The directors have assessed the main risks for the Group to include the following (with the ongoing uncertainty in relation to Brexit and the Covid-19 pandemic considered within the Chairman's Statement):

- **Foreign currency exchange risk:** the risk of financial loss to foreign currency net assets, earnings and cash flows reported in pounds sterling due to movement in exchange rates. The denomination of debt in pounds sterling and foreign currencies has been undertaken in a manner that broadly matches the income generating proportions in the Group and is continually under review as the business changes. Further information on the Group's management of foreign currency exchange risk is provided in note 22.
- **Credit risk:** the risk of financial loss to the Group if a customer or counterpart to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents. The risk is managed by contracting with blue chip customers. Further information on the Group's management of credit risk is provided in note 22.
- **Changing retail market and consumer trends:** the challenging retail market and constantly changing consumer trends requires each business unit to develop and change according to the needs of their market. Each business unit has a different mix between Baxters Branded, Customer Own Brand and Contract Manufacturing business which overall provides a balanced portfolio across the Group.

Dividends

The directors have proposed a final dividend in respect of the period ended 28 March 2020 amounting to £1.5m (2019: £1.5m). In accordance with IAS 10 "Events after the Reporting Date", any proposed dividend would not be accrued in the financial statements.

On behalf of the board:



.....
Audrey C Baxter DBA
Executive Chairman

7th October 2020

BAXTERSFOODGROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 MARCH 2020

The directors have reported the results for the period as part of the Chairman's Statement.

Directors

The following directors have held office since 1 April 2019 and up to the date of this report unless otherwise stated:

Audrey C Baxter DBA

Andrew G Baxter BSc.

Ronald Davis-resigned 5 August 2020

Michael S McGill-resigned 19 April 2019

Terence Strain-appointed 30 October 2019

Going Concern

The directors have assessed the Group remains a going concern; further details are included in note 2.

Research and development

The Group undertakes research and development activities in order to develop its range of new and existing products.

Future developments, dividends and events after the balance sheet date

The directors have considered and reported any significant future developments, dividends and events after the balance sheet date as part of their Strategic Report and Chairman's Statement.

Financial risk management

The Group's activities expose it to a number of financial risks including credit risk, liquidity risk and market risk. The use of financial derivatives is governed by the Group's board of directors, who provide direction on their use to manage the above risks. The Group does not use derivative financial instruments for speculative purposes. Further information on the Group's financial risk management is provided within note 22.

Staff policies

The Group places considerable value on the contribution of its employees and therefore continues to encourage the development of employee involvement in Group companies. Management meet regularly with employees to discuss matters of mutual interest and to provide opportunities for employees to contribute to the success of the business.

Employee communications are high priority and regular briefing meetings, together with the use of e-mail and notice boards, ensure all employees are informed about matters of concern to them.

The Group's policy is that, where it is reasonable and practical within existing legislation, all employees, including those who are disabled, are treated in the same way in matters relating to employment, training, career development and promotion. Employees who become disabled during the period of their employment will be retained wherever possible and encouraged to develop their careers.

Charitable donations

During the period, the Group made contributions to local charities of £107,000 (2019: £110,000).

BAXTERS FOOD GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 Group and of the profit or loss of the Group 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 the financial statements comply with IFRS issued by the IASB and adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

The directors confirm that:

- a) so far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the board:



.....
Audrey C Baxter DBA
Director

7th October 2020

BAXTERSFOODGROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAXTERS FOOD GROUP LIMITED

Opinion

We have audited the financial statements of Baxters Food Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 28 March 2020 which comprise consolidated income statement, the consolidated statement of comprehensive income, the balance sheets, the statements of changes in equity, the cash flow statements and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 28 March 2020, and of the group's and parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

BAXTERS FOOD GROUP LIMITED

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's or the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BAXTERSFOODGROUP LIMITED

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Graeme Fraser (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

7th October 2020
Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BAXTERSFOOD GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	Period ended 28 March 2020			Period ended 30 March 2019		
		Before exceptional items £'000	Exceptional items (note 10) £'000	Total £'000	Before exceptional items £'000	Exceptional items (note 10) £'000	Total £'000
Revenue	4	308,617	-	308,617	302,047	-	302,047
Cost of sales		(209,325)	(1,761)	(211,086)	(203,692)	(783)	(204,475)
Gross profit		99,292	(1,761)	97,531	98,355	(783)	97,572
Distribution costs		(12,432)	(4)	(12,436)	(14,373)	(11)	(14,384)
Administrative costs		(50,425)	(2,201)	(52,626)	(55,595)	4,954	(50,641)
Other income		345	-	345	782	-	782
Earnings before interest, tax, depreciation and amortisation		36,780	(3,966)	32,814	29,169	4,160	33,329
Amortisation	5	(2,038)	-	(2,038)	(1,703)	-	(1,703)
Goodwill impairment	14	-	-	-	-	(1,112)	(1,112)
Depreciation	5	(12,720)	-	(12,720)	(8,233)	-	(8,233)
Operating profit	5	22,022	(3,966)	18,056	19,233	3,048	22,281
Finance income	8	316	-	316	234	-	234
Finance costs	9	(13,959)	-	(13,959)	(9,768)	(2,722)	(12,490)
Profit on ordinary activities before taxation		8,379	(3,966)	4,413	9,699	326	10,025
Taxation	11	(3,076)	753	(2,323)	(3,602)	1,012	(2,590)
Profit for the period		5,303	(3,213)	2,090	6,097	1,338	7,435

The income statement has been prepared on the basis that all operations are continuing operations.

Profit for the period is 100% attributable to the owners of the company.

BAXTERS FOOD GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Profit for the period		2,090	7,435
Other comprehensive income/(expenditure)			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of defined benefit liability	25	1,049	5,911
Income tax on re-measurement of defined benefit liability	11	(308)	(1,005)
		<u>741</u>	<u>4,906</u>
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		<u>7,064</u>	<u>4,319</u>
Other comprehensive income/(expenditure), net of tax		<u>7,805</u>	<u>9,225</u>
Total comprehensive income for the period		<u>9,895</u>	<u>16,660</u>

Total comprehensive income for the period is 100% attributable to the owners of the company.

BAXTERSFOODGROUPLIMITED

BALANCE SHEETS

		Group		Company	
		28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000
Assets	Notes				
Non-current assets					
Property, plant and equipment	13	98,822	77,259	47,100	43,453
Intangible assets	14	103,625	100,277	26,007	26,617
Investments	15	15	15	26,182	26,182
Trade and other receivables	17	-	-	14,884	10,490
Deferred tax assets	12	1,419	2,464	497	1,538
		<u>203,881</u>	<u>180,015</u>	<u>114,670</u>	<u>108,280</u>
Current assets					
Inventories	16	48,637	53,335	14,604	17,611
Trade and other receivables	17	32,082	30,376	63,245	69,752
Current tax receivable		250	103	160	197
Other financial assets		262	-	262	-
Cash and cash equivalents	18	14,289	16,462	2,125	5,299
		<u>95,520</u>	<u>100,276</u>	<u>80,396</u>	<u>92,859</u>
Liabilities					
Current liabilities					
Loans and borrowings	20	(7,510)	(18,031)	(4,067)	(18,020)
Trade and other payables	19	(56,257)	(52,115)	(30,664)	(19,519)
Current tax payable		(263)	(37)	-	-
		<u>(64,030)</u>	<u>(70,183)</u>	<u>(34,731)</u>	<u>(37,539)</u>
Net current assets		<u>31,490</u>	<u>30,093</u>	<u>45,665</u>	<u>55,320</u>
Non-current liabilities					
Loans and borrowings	20	(118,433)	(92,609)	(98,470)	(92,603)
Retirement benefit obligations	25	(167)	(5,265)	(167)	(5,265)
Deferred income	24	(690)	(721)	-	-
Provisions	23	(2,322)	(4,452)	-	-
Deferred tax liabilities	12	(13,980)	(13,837)	(1,522)	(2,970)
		<u>(135,592)</u>	<u>(116,884)</u>	<u>(100,159)</u>	<u>(100,838)</u>
Net assets		<u>99,779</u>	<u>93,224</u>	<u>60,176</u>	<u>62,762</u>
Equity					
Called up share capital	26	637	637	637	637
Merger reserve	26	350	350	350	350
Revaluation reserve	26	14,599	15,219	14,022	14,642
Capital contribution reserve	26	-	-	1,422	1,422
Translation reserve	26	13,654	6,590	-	-
Retained earnings	26	70,539	70,428	43,745	45,711
Total equity		<u>99,779</u>	<u>93,224</u>	<u>60,176</u>	<u>62,762</u>

As permitted by s408 of the Companies Act 2006, the company has not presented its own Income Statement and related notes. The company's loss for the period was £1,637,000 (2019: profit of £2,827,000).

Approved by the board for issue on 7th October 2020 and signed on its behalf by:


Audrey C Baxter DBA
Director

Company Registration No. SC023572

BAXTERS FOOD GROUP LIMITED

STATEMENTS OF CHANGES IN EQUITY

GROUP	Called up share capital £'000	Merger reserve £'000	Revaluation reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 March 2018	637	350	15,670	2,790	58,617	78,064
Profit for the period	-	-	-	-	7,435	7,435
Other comprehensive income	-	-	-	4,319	4,906	9,225
Total comprehensive income	-	-	-	4,319	12,341	16,660
Difference between historical cost and actual depreciation charge	-	-	(451)	-	451	-
Transfer of Canadian Translation Reserve on disposal to Retained Earnings	-	-	-	(519)	519	-
Dividend paid	-	-	-	-	(1,500)	(1,500)
At 30 March 2019	637	350	15,219	6,590	70,428	93,224
Impact of change in accounting policy	-	-	-	-	(1,840)	(1,840)
Adjusted balances at 31 March 2019	637	350	15,219	6,590	68,588	91,384
Profit for the period	-	-	-	-	2,090	2,090
Other comprehensive income	-	-	-	7,064	741	7,805
Total comprehensive income	-	-	-	7,064	2,831	9,895
Difference between historical cost and actual depreciation charge	-	-	(620)	-	620	-
Dividend paid	-	-	-	-	(1,500)	(1,500)
At 28 March 2020	637	350	14,599	13,654	70,539	99,779

COMPANY	Called up share capital £'000	Merger reserve £'000	Revaluation reserve £'000	Capital contribution reserve £'000	Translation reserve £'000	Retained earnings £'000	Total Equity £'000
At 31 March 2018	637	350	15,093	1,422	-	39,027	56,529
Profit for the period	-	-	-	-	-	2,827	2,827
Other comprehensive income	-	-	-	-	-	4,906	4,906
Total comprehensive income	-	-	-	-	-	7,733	7,733
Difference between historical cost and actual depreciation charge	-	-	(451)	-	-	451	-
Dividend paid	-	-	-	-	-	(1,500)	(1,500)
At 30 March 2019	637	350	14,642	1,422	-	45,711	62,762
Impact of change in accounting policy	-	-	-	-	-	(190)	(190)
Adjusted balances 31 March 2019	637	350	14,642	1,422	-	45,521	62,572
Loss for the period	-	-	-	-	-	(1,637)	(1,637)
Other comprehensive income	-	-	-	-	-	741	741
Total comprehensive expenditure	-	-	-	-	-	(896)	(896)
Difference between historical cost and actual depreciation charge	-	-	(620)	-	-	620	-
Dividend paid	-	-	-	-	-	(1,500)	(1,500)
At 28 March 2020	637	350	14,022	1,422	-	43,745	60,176

BAXTERSFOODGROUP LIMITED

CASHFLOWSTATEMENTS

		Group		Company	
		Period ended	Period ended	Period ended	Period ended
		28 March	30 March	28 March	30 March
		2020	2019	2020	2019
Notes		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Profit/(loss) for the period		2,090	7,435	(1,637)	2,827
Adjusted for:					
Depreciation, amortisation and impairment		14,758	11,048	5,418	4,318
Foreign exchange loss		5,800	1,747	7,436	1,785
Financial income		(316)	(234)	(8,728)	(8,670)
Financial expense		8,086	7,687	7,129	7,696
Gain on sale of property, plant and equipment		-	-	(15)	-
Deferred government grant		(26)	(35)	-	-
Intercompany impairment		-	-	-	11,591
Non-cash provision movements		(344)	(524)	-	-
Gain on Sale of Canadian business		-	(7,493)	-	(15,975)
Taxation		2,323	2,590	(663)	(784)
R&D Tax credits		(130)	(177)	(130)	(177)
Pension costs less contributions	25	(4,047)	(5,066)	(4,047)	(5,066)
(Increase)/decrease in trade and other receivables		(836)	(2,563)	2,363	11,763
Decrease/(increase) in inventories		6,980	(1,442)	3,015	(2,527)
Increase/(decrease) in trade and other payables		2,033	(1,895)	8,760	(6,914)
Cash generated from operating activities		36,371	11,078	18,901	(133)
Interest paid		(6,733)	(7,466)	(6,727)	(8,627)
Tax paid		(1,601)	(2,423)	115	-
Net cash generated from/(used in) operating activities		28,037	1,189	12,289	(8,760)
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment and goodwill		130	48	48	-
Disposal of Canada business, net of cash disposed of		-	30,775	-	33,618
Payments to acquire property, plant and equipment		(6,417)	(6,356)	(3,689)	(3,120)
Capitalised development expenditure		(493)	(1,202)	(238)	(422)
Interest received		49	234	8,728	8,670
Net cash (used in)/generated from investing activities		(6,731)	23,499	4,849	38,746
Cash flows from financing activities					
New bank loan		-	5,087	-	5,087
Repayment of borrowings		(17,638)	(32,427)	(17,638)	(32,427)
Debt issuance expenses		-	-	-	-
Repayment of leases		(4,920)	(62)	(1,001)	(50)
Dividends paid	26	(1,500)	(1,500)	(1,500)	(1,500)
Net cash used in financing activities		(24,058)	(28,902)	(20,139)	(28,890)
Net (decrease)/increase in cash and cash equivalents		(2,752)	(4,214)	(3,001)	1,096
Cash and cash equivalents at beginning of period		16,462	19,527	5,299	4,162
Effects of exchange fluctuations on cash held		579	1,149	(173)	41
Cash and cash equivalents at end of period	18	14,289	16,462	2,125	5,299

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 MARCH 2020

1. Reporting entity

Baxters Food Group Limited ("the Company") is incorporated and registered in Scotland and is domiciled within the United Kingdom as a private company with liability limited by shares. The Company's registered office is 12 Charlotte Square, Edinburgh, EH2 4DJ and its principal place of business is Fochabers. The current period financial statements present the results for the period ended 28 March 2020.

The Group financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies"). The parent company financial statements present information about the Company as a separate entity and not about its group. The Group's principal activities are described within the Strategic Report on page 2.

2. Accounting policies

Basis of preparation

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and the IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. On publishing the parent company financial statements here together with the Group financial statements (collectively "the financial statements"), the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these 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 3.

Going concern

The financial statements have been prepared on a going concern basis for the following reasons. The directors have prepared financial forecasts for a period of at least 12 months from the date of signing these financial statements. They are of the opinion that following their review of these forecasts and taking account of the debt facilities currently available to the Group and the Company, together with those expected to be available in the future, that for the foreseeable future the Group and the Company will be able to meet its liabilities as they fall due. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

New standard not yet applied

Other standards which are not expected to have a significant impact on the Group's consolidated financial statements are as follows:

	Effective for accounting periods on or after
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020

New standards applied

IFRS 16 Leases

This is the first set of accounts in which IFRS 16 Leases has been applied. IFRS 16 introduced a single, on-balance sheet accounting model for lessees and sets out the principles for the recognition, measurement, presentation and disclosure of leases. As a result, the Group, as a lessee, has recognised right of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, discounted at the Group's incremental borrowing rate at 31 March 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations.

Details of the changes in accounting policies arising from the implementation of IFRS 16 are as follows:

Lease recognition

Previously, the Group determined at the inception of a contract whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 31 March 2019.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right of use assets, both Land and Buildings and Plant, Equipment and Vehicles are depreciated over the lease term on a straight-line basis. Right of use assets are subject to and reviewed regularly for impairment, any impairment of a right of use asset would be considered a non-trading item. Depreciation on right of use assets is recognised in the consolidated statement of profit and loss.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed and variable lease payments that depend on an index or rate less any lease incentives receivable. Any variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The weighted average incremental borrowing rate used for the purposes of calculating the present value of lease payments is 3.03%.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the fixed lease payments. Interest charges are included in finance costs in the consolidated statement of profit and loss. The Group's lease liabilities are included in interest-bearing loans and borrowings (note 20).

BAXTERSFOODGROUPLIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

IFRS 16 Leases (continued)

Impact of IFRS 16 on financial statements

The Group leased assets include properties, vehicles and other equipment. As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

Balance sheet

The table below shows a reconciliation from the total operating lease commitment as disclosed at 30 March 2019 to the total lease liabilities recognised in the accounts immediately after transition:

£m	31 March 2019
Operating lease commitment at 30 March 2019 as disclosed in the Group's consolidated financial statements	28.8
Extension and termination options reasonably certain to be exercised	3.9
Discounted using the incremental borrowing rate at 31 March 2019	(3.5)
Other IFRS16 adjustments	(0.1)
Lease liabilities recognised at 31 March 2019	29.1

The Group does not present right of use assets separately in the consolidated balance sheet. The carrying amounts of right of use assets are as below:

£m	Property	Plant, equipment & vehicles	Total
Balance at 30 March 2019	21.1	3.4	24.5
Balance at 28 March 2020	19.6	3.1	22.7

Property, plant and equipment including Right of Use Assets are disclosed in note 13.

The Group does not present lease liabilities separately in the consolidated balance sheet. The lease creditors are as below:

£m	Short term	Long term	Total
Balance at 30 March 2019	3.9	25.2	29.1
Balance at 28 March 2020	4.3	23.1	27.4

Lease liabilities are disclosed in note 20.

Statement of profit and loss

The Group has recognised depreciation and interest costs in respect of leases that were previously classified as operating leases in the income statement for the period, rather than rental charges. During the period the group recognised £4.0m of depreciation charges and £0.8m of interest in respect of these leases.

Reserves

On the date of transition an adjustment of £1.8m was booked as a reduction to reserves, consistent with the modified retrospective transition.

Cash flow

The implementation of IFRS 16 is an accounting change only and does not impact cash flows.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary undertakings which are made up to 28 March 2020.

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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Separate parent company financial statements

In the parent company financial statements, all investments in subsidiaries, joint ventures, and associates are carried at cost less impairment.

Functional and presentational currency

The Group and Company financial statements are presented in sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Foreign currency transactions

In preparing the financial statements of the Group and Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the income statement in the period in which they arise, except for differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rates of exchange prevailing at the dates of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Revenue

Revenue comprises sales of goods to external customers at the fair value of the consideration received or receivable, excluding VAT, trade discounts and other sales taxes. Customers obtain control of the goods when they have been dispatched from the Group's warehouses. Invoices are generated and revenue is recognised as that point in time. Invoices are usually payable within 60 days. Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Leases

In the prior year operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Finance income and finance expenses

The Group's finance income and finance expenses include interest income and expense recognised using the effective interest rate method, the net gain or loss on financial instruments at fair value through profit or loss and any foreign currency gains or losses on financial assets and liabilities.

Taxation

Taxation comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

The current corporation tax asset or liability recognised on the statement of financial position represents the current corporation tax balance due from or obligation to the relevant tax authority at the reporting date. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and;
- In respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historic cost or revaluation, less accumulated depreciation and any accumulated impairment losses. Historic cost includes the expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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:

Buildings	25 years to 50 years
Plant, equipment and vehicles	3 years to 25 years

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

Interim valuations of freehold properties are conducted every three years by a qualified valuer and full valuations are conducted every five years by a qualified valuer. A full valuation was performed as at 31 March 2018. The resulting surplus or deficit on book value is transferred to the revaluation reserve, except for a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the statement of comprehensive income. A deficit which represents a clear consumption of economic benefits is charged to the income statement regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to retained earnings as a movement on reserves. On disposal or recognition of a provision for impairment on a revalued asset, the related balance remaining in the revaluation reserve is also transferred to retained earnings as a movement on reserves.

Intangible assets and goodwill

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired business at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment or if events or changes in circumstances indicate that it might be impaired.

Brands and trademarks

Brands and trademarks represent the cost or fair value on acquisition of recipes and brand names purchased. Brands are amortised over their useful lives ranging between 20 – 45 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate. Certain trade names have an indefinite life and are tested annually for impairment.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in the income statement as incurred. Development costs are amortised over the life of the product.

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

Intangible assets and goodwill (continued)

Other intangible assets

Other intangible assets, including customer relationships that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised over their useful lives of 45 years.

Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Goodwill is tested annually for impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

An impairment loss in respect of goodwill is not reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate share of related fixed and variable production overheads based on normal operating capacity. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale.

Financial Instruments

Trade and other receivables

Trade and other receivables are initially measured at the transaction price and at the point of recognition an expected credit loss is recognised to reflect the future risk of default. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligation in full, without recourse by the Group. Trade receivables are subsequently measured at amortised cost less any additional, specific provisions for impairment. A specific provision is made for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. Trade and other receivables are discounted when the time value of money is considered material.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

Cash and cash equivalents

Cash and cash equivalents which comprises of cash in hand, are subject to an insignificant risk of changes in value.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

Bank borrowings

Interest-bearing bank loans and overdrafts are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs and inclusive of debt issuance costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost. Trade payables and other liabilities are discounted when the time value of money is considered material.

Derivative financial instruments and hedge accounting

The Group sometimes holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Government grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

2. Accounting policies (continued)

Employee benefits

The Group operates a defined benefit pension scheme. The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately within other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

The Group also operates defined contribution pension schemes. The pension costs charged in the financial statements represent the contributions payable by the Group during the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in current and prior periods. Remeasurements are recognised in profit or loss in the period in which they arise.

Share capital

Share capital issued by the Group is recorded at the proceeds received, net of direct issue costs.

Dividends

Interim dividends are recorded when paid. The liability for final dividends is recorded when the dividends are approved by the Company's shareholders.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their nature or size to enable a better understanding of the Group's underlying financial performance by the users of the financial statements.

Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group's accounting policy on Property, plant and equipment requires the measurement of fair values of the Group's Freehold Property, where Interim valuations are conducted every three years and full valuations every five years both by qualified valuers.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

3. Critical accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Employee Benefits

The present value of the Group's defined benefit pension obligations depends on a number of actuarial assumptions. The key assumptions used include the discount rate, pension increases, mortality rates applicable to scheme members and long-term inflation rates. Due to the long-term nature of these schemes, the estimates are subject to significant uncertainty. An analysis of the sensitivity of the pension obligations to changes in key assumptions is provided in note 25.

Goodwill and other intangible assets

Impairment reviews in respect of goodwill are performed annually unless an event indicates that an impairment review is necessary. Impairment reviews in respect of intangible assets are performed when an event indicates that an impairment review is necessary. Examples of such triggering events include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows. The recoverable amounts of cash generating units are determined based on the higher of net realisable value and value in use calculations. These calculations require the use of estimates. Intangible assets with indefinite useful lives are tested annually for impairment.

The Group has considered the impact of the assumptions used on the calculations and has conducted sensitivity analysis on the impairment tests of the cash generating units' carrying values. Further details of the sensitivity analysis is provided in note 14.

Acquired brands, trademarks and customer relationships are considered to have finite lives that range from 20-45 years. Acquired trade names are considered to have an indefinite useful life. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and also many qualitative factors such as history and market positioning, hence the determination of useful lives are subject to estimates and judgement. Further details are provided in note 14.

Intercompany balances – parent company

Linked to the appraisal of goodwill, is the recoverability of intercompany balances from subsidiaries in the entity accounts for the Company. Recoverability reviews are performed when events indicate that this may be necessary, such as changes in market conditions, customer losses, expectations of future losses or a requirement for additional funding. The recoverability of amounts from subsidiaries is determined based on net realisable value including cash generated from operations. These calculations necessarily involve future projections and involve the use of estimates.

Deferred tax

The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years. Further details of recognised (and unrecognised) deferred tax assets are provided in note 12.

Incremental borrowing rate

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

4. Revenue

An analysis of Group revenue by geographical area is as follows:

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
United Kingdom	89,041	85,709
International	219,576	216,338
	<u>308,617</u>	<u>302,047</u>

The directors believe the Group to have one revenue type, being the manufacture and supply of high-quality ambient food.

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

5. Operating profit

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Operating profit is stated after charging/(crediting):		
Amortisation of intangible assets	2,038	1,703
Depreciation of tangible assets	12,720	8,233
Operating lease rentals	-	5,914
Research costs	508	385
Exceptional items – note 10	3,966	(326)
Amortisation of government grants	(26)	(35)

Services provided by the Group's auditor

During the period the Group obtained the following services from the Group's auditor, Johnston Carmichael LLP:

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Audit services		
Statutory audit – Company and Group	10	10
– UK subsidiaries	156	141
– Baxters Food Group Pension Scheme	9	9
Corporate transaction advice	69	-
Tax services	-	5
Other services	36	31
	280	196

6. Directors' emoluments

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Emoluments for qualifying services	2,519	3,638
Company contributions to defined benefit and defined contribution scheme	23	13

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to nil (2019: nil).

Emoluments disclosed above include the following amounts paid to the highest paid director:

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Emoluments for qualifying services	1,299	1,956
Accrued pension at the end of the period	-	7

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

7. Employees

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

	Period ended 28 March 2020 Number	Period ended 30 March 2019 Number
Direct	787	816
Others	581	598
	<u>1,368</u>	<u>1,414</u>

Staff costs for the Group were:

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Wages and salaries	51,343	52,385
Social security costs	6,928	7,320
Other pension costs	1,384	1,946
	<u>59,655</u>	<u>61,651</u>

8. Finance income

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Interest on loans and overdrafts	16	232
Other interest income	38	2
Net gain on financial instruments designated as fair value through profit or loss	262	-
Total finance income	<u>316</u>	<u>234</u>

9. Finance costs

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Interest on loans and overdrafts including exceptionals of £nil (2019: £2,722,000)	7,117	10,275
Interest on obligations under leases	837	7
Other interest expense	132	129
Net interest on net defined benefit pension plan liability	73	332
Foreign exchange loss	5,800	1,747
Total finance costs	<u>13,959</u>	<u>12,490</u>

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

10. Exceptional items

The Group reports the following exceptional items:

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Non-recurring production issue	-	480
Restructuring and related costs	717	505
Historic local tax provision	286	-
Acquisition costs	125	-
Pallet dispute	110	-
Pouch supplier quality issues	1,503	-
Closure costs	-	238
Pension scheme GMP equalisation	-	723
Onerous contract costs	72	1,087
Gain on sale of Canada business	-	(7,493)
Product recall costs	80	-
Australia goodwill impairment	-	1,112
North American business long-term incentive plan	1,073	3,022
	3,966	(326)
Tax on exceptional items above	(753)	(1,012)
Total exceptional items expense/(income)	3,213	(1,338)

11. Taxation

	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Recognised in income statement		
Domestic current tax		
Adjustment in respect of prior periods	53	-
Domestic current tax charge	53	-
Foreign current tax		
Current period	2,170	2,315
Adjustment in respect of prior periods	(495)	642
Foreign current tax charge	1,675	2,957
Current tax charge	1,728	2,957
Deferred tax		
Relating to origination and reversal of temporary timing differences	312	(43)
Effect of change in tax rate	47	290
Effect of tax rate in foreign jurisdictions	-	(198)
Adjustment in respect of prior periods	236	(416)
Deferred tax credit	595	(367)
Total tax charge	2,323	2,590

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

11. Taxation (continued)

Recognised in other comprehensive income	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Re-measurement of defined benefit liability	308	1,005
Foreign exchange translation differences	823	727
	<u>1,131</u>	<u>1,732</u>
	Period ended 28 March 2020 £'000	Period ended 30 March 2019 £'000
Reconciliation of effective tax rate		
Profit for the period	2,090	7,435
Total tax charge	2,323	2,590
	<u>4,413</u>	<u>10,025</u>
Profit on ordinary activities before tax		
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	838	1,905
Expenses not deductible for tax purposes	180	130
Income not taxable	-	(1,903)
Origination and reversal of timing differences	127	51
Current period losses for which no deferred tax asset was recognised	1,120	1,438
Effect of tax on foreign jurisdictions	399	769
Effect of change in tax rate	-	290
R&D tax credit	(60)	(69)
Adjustment in respect of prior periods	(281)	(21)
	<u>2,323</u>	<u>2,590</u>

12. Deferred tax assets and liabilities

Group

The Group recognised deferred tax assets and liabilities attributable to the following:

	Assets		Liabilities	
	28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000
Property, plant and equipment	-	-	(7,629)	(8,262)
Intangible assets	-	-	(11,297)	(10,703)
Employee benefits	503	1,538	-	-
Tax value of loss carry-forwards	4,954	4,521	-	-
Other	1,489	1,987	(581)	(454)
	<u>6,946</u>	<u>8,046</u>	<u>(19,507)</u>	<u>(19,419)</u>
Tax assets/(liabilities)				
Net of tax assets	(5,527)	(5,582)	5,527	5,582
	<u>1,419</u>	<u>2,464</u>	<u>(13,980)</u>	<u>(13,837)</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

12. Deferred tax assets and liabilities (continued)

A deferred tax asset has not been recognised on unutilised tax losses of £15,005,770 (2019: £13,160,000), because it is not currently probable that future taxable profit will be available against which the Group can utilise the asset.

Movement in deferred tax during the period

	30 March 2019 £'000	IFRS 16 transition £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	28 March 2020 £'000
Property, plant and equipment	(8,262)	453	489	(309)	(7,629)
Intangible assets	(10,703)	-	141	(735)	(11,297)
Employee benefits	1,538	-	(727)	(308)	503
Tax value of loss carry-forwards	4,521	-	260	173	4,954
Other	1,533	-	(759)	134	908
	<u>(11,373)</u>	<u>453</u>	<u>(596)</u>	<u>(1,045)</u>	<u>(12,561)</u>

Movement in deferred tax during the prior period

	1 April 2018 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	Acquired in business combination £'000	30 March 2019 £'000
Property, plant and equipment	(9,476)	436	(315)	1,093	(8,262)
Intangible assets	(9,979)	30	(754)	-	(10,703)
Employee benefits	2,761	(218)	(1,005)	-	1,538
Tax value of loss carry-forwards	4,873	(603)	251	-	4,521
Other	720	722	91	-	1,533
	<u>(11,101)</u>	<u>367</u>	<u>(1,732)</u>	<u>1,093</u>	<u>(11,373)</u>

Company

The Company recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000
Property, plant and equipment	-	-	(3,449)	(3,630)
Employee benefits	503	1,538	-	-
Tax value of loss carry-forwards	2,502	1,113	-	-
Other	-	-	(581)	(453)
Tax assets/(liabilities)	<u>3,005</u>	<u>2,651</u>	<u>(4,030)</u>	<u>(4,083)</u>
Net of tax assets	<u>(2,508)</u>	<u>(1,113)</u>	<u>2,508</u>	<u>1,113</u>
Net tax assets/(liabilities)	<u>497</u>	<u>1,538</u>	<u>(1,522)</u>	<u>(2,970)</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

12. Deferred tax assets and liabilities (continued)

Company (continued)

Movement in deferred tax during the period

	30 March 2019 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	28 March 2020 £'000
Property, plant and equipment	(3,630)	181	-	(3,449)
Employee benefits	1,538	(727)	(308)	503
Tax value of loss carry-forwards	1,113	1,389	-	2,502
Other	(453)	(128)	-	(581)
	<u>(1,432)</u>	<u>715</u>	<u>(308)</u>	<u>(1,025)</u>

Movement in deferred tax during the prior period

	1 April 2018 £'000	Recognised in income statement £'000	Recognised in other comprehensive income £'000	30 March 2019 £'000
Property, plant and equipment	(4,138)	508	-	(3,630)
Employee benefits	2,761	(218)	(1,005)	1,538
Tax value of loss carry-forwards	644	469	-	1,113
Other	(478)	25	-	(453)
	<u>(1,211)</u>	<u>784</u>	<u>(1,005)</u>	<u>(1,432)</u>

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

13. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, equipment and vehicles £'000	Right of use Assets £'000	Total £'000
Cost or valuation					
At 31 March 2018	30,680	4,481	90,045	-	125,206
Exchange adjustments	(113)	264	2,800	-	2,951
Additions	2,096	466	3,856	-	6,418
Disposals	(318)	(32)	(12,454)	-	(12,804)
At 30 March 2019	32,345	5,179	84,247	-	121,771
Adjustment on transition to IFRS 16	-	-	-	37,991	37,991
Exchange adjustments	(214)	267	2,303	2,021	4,377
Additions	699	197	5,491	1,043	7,430
Disposals	-	-	(456)	(244)	(700)
At 28 March 2020	32,830	5,643	91,585	40,811	170,869
Accumulated depreciation					
At 31 March 2018	-	1,255	41,113	-	42,368
Exchange adjustments	(31)	83	949	-	1,001
Charge for the period	1,282	464	6,487	-	8,233
Disposals	-	(22)	(7,068)	-	(7,090)
At 30 March 2019	1,251	1,780	41,481	-	44,512
Adjustment on transition to IFRS 16	-	-	-	13,503	13,503
Exchange adjustments	(48)	113	959	858	1,882
Charge for the period	1,347	497	6,885	3,991	12,720
Disposals	-	-	(326)	(244)	(570)
At 28 March 2020	2,550	2,390	48,999	18,108	72,047
Net book value					
At 28 March 2020	30,280	3,253	42,586	22,703	98,822
At 30 March 2019	31,094	3,399	42,766	-	77,259
At 31 March 2018	30,680	3,226	48,932	-	82,838

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

13. Property, plant and equipment (continued)

Included in the right of use asset recognised on transition to IFRS16 are the following.

Group	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost or valuation			
At 30 March 2019	-	-	-
Adjustment on transition to IFRS 16	31,820	6,171	37,991
Exchange adjustments	1,751	270	2,021
Additions	48	995	1,043
Disposals	-	(244)	(244)
At 28 March 2020	33,619	7,192	40,811
Accumulated depreciation			
At 30 March 2019	-	-	-
Adjustment on transition to IFRS 16	10,677	2,826	13,503
Exchange adjustments	691	167	858
Charge for the period	2,670	1,321	3,991
Disposals	-	(244)	(244)
At 28 March 2020	14,038	4,070	18,108
Net book value			
At 28 March 2020	19,581	3,122	22,703
At 30 March 2019	-	-	-

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

13. Property, plant and equipment (continued)

Company	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant, equipment and vehicles £'000	Right of use Assets £'000	Total £'000
Cost or valuation					
At 31 March 2018	26,649	1,006	36,421	-	64,076
Additions	2,096	-	1,041	-	3,137
Disposals	-	(14)	(32)	-	(46)
At 30 March 2019	28,745	992	37,430	-	67,167
Adjustment on transition to IFRS 16	-	-	-	5,957	5,957
Additions	699	-	2,960	114	3,773
Disposals	-	-	(329)	(151)	(480)
At 28 March 2020	29,444	992	40,061	5,920	76,417
Accumulated depreciation					
At 31 March 2018	-	108	20,007	-	20,115
Charge for the period	1,183	94	2,368	-	3,645
Disposals	-	(14)	(32)	-	(46)
At 30 March 2019	1,183	188	22,343	-	23,714
Adjustment on transition to IFRS 16	-	-	-	1,481	1,481
Charge for the period	1,248	94	2,376	851	4,569
Disposals	-	-	(296)	(151)	(447)
At 28 March 2020	2,431	282	24,423	2,181	29,317
Net book value					
At 28 March 2020	27,013	710	15,638	3,739	47,100
At 30 March 2019	27,562	804	15,087	-	43,453
At 31 March 2018	26,649	898	16,414	-	43,961

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

13. Property, plant and equipment (continued)

Included in the right of use asset recognised on transition to IFRS 16 are the following,

Company	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost or valuation			
At 30 March 2019	-	-	-
Adjustment on transition to IFRS 16	4,261	1,696	5,957
Additions	-	114	114
Disposals	-	(151)	(151)
At 28 March 2020	4,261	1,659	5,920
Accumulated depreciation			
At 30 March 2019	-	-	-
Adjustment on transition to IFRS 16	893	588	1,481
Charge for the period	425	426	851
Disposals	-	(151)	(151)
At 28 March 2020	1,318	863	2,181
Net book value			
At 28 March 2020	2,943	796	3,739
At 30 March 2019	-	-	-

Freehold land and buildings were independently professionally valued at 31 March 2018 by F.G. Burnett, Chartered Surveyors (United Kingdom), Deloitte Real Estate (Manor Vinegar), Frąckowiak i Wspólnicy WGB Sp. z o.o. (Poland) and Thompson May (Australia). The basis of their valuations were determined through reference to existing market data, such as comparable rental yields or replacement cost. Assets in the course of construction are held at cost.

	Group		Company	
	28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000
Valuation (31 March 2018)	27,425	27,639	21,905	21,905
Cost	5,405	4,706	7,539	6,840
	32,830	32,345	29,444	28,745

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

14. Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands & trademarks £'000	Development expenditure £'000	Total £'000
Cost					
At 31 March 2018	50,537	31,530	35,172	2,755	119,994
Exchange adjustments	1,740	2,383	1,488	(526)	5,085
Additions	-	-	-	1,202	1,202
Disposals	(12,789)	-	(238)	(35)	(13,062)
At 30 March 2019	39,488	33,913	36,422	3,396	113,219
Exchange adjustments	1,441	2,329	1,161	108	5,039
Additions	-	-	-	493	493
Disposals	-	-	(655)	-	(655)
At 28 March 2020	40,929	36,242	36,928	3,997	118,096
Accumulated amortisation and impairment					
At 31 March 2018	1,109	2,402	5,065	1,242	9,818
Exchange adjustments	(17)	185	124	22	314
Charge for the period	-	751	411	541	1,703
Disposals	-	-	(65)	(12)	(77)
Impairment charge for the period	1,112	-	-	72	1,184
At 30 March 2019	2,204	3,338	5,535	1,865	12,942
Exchange adjustments	(201)	260	31	56	146
Charge for the period	-	774	413	851	2,038
Disposals	-	-	(655)	-	(655)
Impairment charge for the period	-	-	-	-	-
At 28 March 2020	2,003	4,372	5,324	2,772	14,471
Net book value					
At 28 March 2020	38,926	31,870	31,604	1,225	103,625
At 30 March 2019	37,284	30,575	30,887	1,531	100,277
At 31 March 2018	49,428	29,128	30,107	1,513	110,176

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill		Indefinite life intangible assets	
	28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000
USA	24,253	22,611	18,125	16,961
CCL	7,514	7,514	-	-
Garners	7,159	7,159	-	-

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

14. Intangible assets (continued)

The recoverable amount of each cash generating unit has been calculated with reference to its value in use. The key assumptions of the calculations are shown below:

	28 March 2020	30 March 2019
Period on which management approved forecasts are based	5 years	5 years
Discount rate	7.6%	7.6%
EBITDA multiple used in valuation	7-8	7-8

The discount rate used is the weighted average cost of capital which reflects the returns on government bonds with a maturity of fifteen or twenty years and an equity risk premium adjusted for the industry and market. Further risk premiums are applied according to management's assessment of the risks in respect of the cash flows. The Group applies pre-tax discount rates to pre-tax cash flows.

The Wornick Company trade name has an indefinite useful life. There are no legal, regulatory or contractual provisions that the directors believe limit the useful life of this tradename. The tradename was created 40 years ago and there are no plans to discontinue the use of the tradename. Accordingly, the directors believe that it is appropriate that the tradename is treated as having an indefinite useful life and shown within Brand and Trademarks for accounting purposes and therefore is not amortised.

Company	Goodwill £'000	Brands & trademarks £'000	Development expenditure £'000	Total £'000
Cost				
At 31 March 2018	12,316	18,047	1,534	31,897
Additions	-	-	422	422
At 30 March 2019	12,316	18,047	1,956	32,319
Additions	-	-	237	237
At 28 March 2020	12,316	18,047	2,193	32,556
Accumulated depreciation				
At 31 March 2018	-	4,079	950	5,029
Charge for the period	-	384	289	673
At 30 March 2019	-	4,463	1,239	5,702
Charge for the period	-	383	464	847
At 28 March 2020	-	4,846	1,703	6,549
Net book value				
At 28 March 2020	12,316	13,201	490	26,007
At 30 March 2019	12,316	13,584	717	26,617
At 31 March 2018	12,316	13,968	584	26,868

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

14. Intangible assets (continued)

Impairment testing

Goodwill considered significant in comparison to the Company's total carrying amount of goodwill has been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	
	28 March 2020	30 March 2019
	£'000	£'000
CCL	6,711	6,711
Garners	5,605	5,605

There were no other intangible assets with an indefinite useful life in the Company. The recoverable amount of each cash generating unit has been calculated with reference to its value in use. The key assumptions of the calculations are shown below:

	28 March 2020	30 March 2019
Period on which management approved forecasts are based	5 years	5 years
Discount rate	7.6%	7.6%

The discount rate used is the weighted average cost of capital which reflects the returns on government bonds with a maturity of fifteen or twenty years and an equity risk premium adjusted for the industry and market. Further risk premiums are applied according to management's assessment of the risks in respect of the cash flows. The Group applies pre-tax discount rates to pre-tax cash flows.

15. Fixed asset investments

Group	Unlisted investments		Total
	£'000		£'000
Cost			
At 31 March 2018, 30 March 2019 and 28 March 2020	15		15
Company			
	Unlisted investments	Capital contributions to subsidiary undertaking	Shares in Group undertakings
	£'000	£'000	£'000
Cost			Total
At 31 March 2018	15	125	51,497
			51,637
Disposal in the prior period	-	-	(19,693)
			(19,693)
At 30 March 2019 and 28 March 2020	15	125	31,804
			31,944
Impairment			
At 31 March 2018, 30 March 2019 and 28 March 2020	-	-	5,762
			5,762
Net Book Value			
At 30 March 2019 and 28 March 2020	15	125	26,042
			26,182
At 31 March 2018	15	125	45,735
			45,875

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

15. Fixed asset investments (continued)

Principal Group investments

On 28 March 2020 the parent company and the Group have investments in the following subsidiary undertakings which principally affected the profits or net assets of the Group:

Subsidiary undertakings	Country of registration or incorporation	Shares held		Principal activity
		Class	%	
The Wornick Company Inc.	USA	Ordinary	100	Manufacture/sale of foodstuffs
Baxters Foods Australia Pty Limited	Australia	Ordinary	100	Manufacture/sale of foodstuffs
Baxters Food Group Properties Pty Limited	Australia	Ordinary	100	Property rental to Baxters Foods Australia Pty Limited
Baxters Polska Sp.z.o.o	Poland	Ordinary	100	Manufacture/sale of foodstuffs

Other non-principal Group investments are disclosed within note 30.

16. Inventories

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Raw materials and consumables	10,967	12,480	1,897	1,677
Packing materials	6,253	5,311	1,867	1,164
Finished goods	31,417	35,544	10,840	14,770
	<u>48,637</u>	<u>53,335</u>	<u>14,604</u>	<u>17,611</u>

Inventories of £172.0m (2019: £168.3m) were recognised as an expense during the period and included in the Group cost of sales.

17. Trade and other receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade receivables	26,671	23,205	11,966	8,916
Other receivables	3,015	5,419	2,367	4,025
Prepayments and accrued income	2,033	1,390	1,389	869
Amounts owed by Group undertakings	363	362	62,407	66,432
	<u>32,082</u>	<u>30,376</u>	<u>78,129</u>	<u>80,242</u>
Non-current	-	-	14,884	10,490
Current	<u>32,082</u>	<u>30,376</u>	<u>63,245</u>	<u>69,752</u>
	<u>32,082</u>	<u>30,376</u>	<u>78,129</u>	<u>80,242</u>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references. Sales limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the board of directors.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

17. Trade and other receivables (continued)

The Group allows an average debtor's payment period of 60 days after invoice date. Interest is charged on overdue debts at a business unit/customer specific rate where it is deemed necessary. The Group assesses and recognises Expected Credit Losses (ECL's) when debts are originated. Further reviews are undertaken at the end of each financial year. In assessing recoverability the Group takes into account any indicators of impairment up until the reporting date.

The overall application of this credit policy generally results in debts between 61 and 120 days not requiring to be provided for. Debtors balances over 120 days are reviewed on an individual basis and provided for where indicate that a debt is impaired.

Trade receivables that are neither impaired nor past due make up of 99% debtors' balances (2019: 100%) and therefore as of 28 March 2020, the ECL's for the group were zero.

The Group does not require collateral in respect of trade and other receivables.

At 28 March 2020, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

Carrying amount	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
UK	11,966	8,916	11,966	8,916
US	13,875	13,147	-	-
Australia	829	1,138	-	-
Other	1	4	-	-
	<u>26,671</u>	<u>23,205</u>	<u>11,966</u>	<u>8,916</u>

Impairment

At 28 March 2020, the ageing of trade and other receivables that were not impaired was as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Neither past due nor impaired	26,579	23,163	11,895	8,903
Past due 61-90 days	32	15	16	7
Past due 91-120 days	43	-	42	-
Past due over 120 days	17	27	13	6
	<u>26,671</u>	<u>23,205</u>	<u>11,966</u>	<u>8,916</u>

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

18. Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash on hand and balances with banks	<u>14,289</u>	<u>16,462</u>	<u>2,125</u>	<u>5,299</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

19. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade payables	39,417	38,116	13,744	12,293
Amounts owed to Group undertakings	-	-	8,393	561
Accruals and deferred income	16,306	13,488	8,083	6,267
Other payables	534	511	444	398
	<u>56,257</u>	<u>52,115</u>	<u>30,664</u>	<u>19,519</u>

20. Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Current				
Secured bank loans	3,227	17,951	3,227	17,951
Lease liabilities	4,283	80	840	69
	<u>7,510</u>	<u>18,031</u>	<u>4,067</u>	<u>18,020</u>
Non-current				
Secured bank loans	19,618	21,738	19,618	21,738
Secured loan notes	75,691	70,828	75,691	70,828
Lease liabilities	23,124	43	3,161	37
	<u>118,433</u>	<u>92,609</u>	<u>98,470</u>	<u>92,603</u>

The Group facilities comprise \$93m of 7 year private placement loan notes at 6.9%-7.4% interest with Pricoa, maturing on 17th July 2023, and a 5 year multi-currency £40m term and £18m revolving credit facilities provided by HSBC maturing on 17th July 2021. Term bank loans are repayable by instalments over a 5 year period and bear interest at variable rates above the appropriate multi-currency bank rate. The bank facilities are secured by letters of offset and cross guarantees from all non dormant Group companies, and by a floating charge over the assets of W.A. Baxter & Sons (Holdings) Limited and Baxters Food Group Limited.

Lease liabilities

Undiscounted lease liabilities are payable as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Less than one year	5,175	80	950	69
Between one and five years	16,342	43	2,465	37
Greater than five years	9,020	-	928	-
	<u>30,537</u>	<u>123</u>	<u>4,343</u>	<u>106</u>

Lease liabilities mature between 1 and 11 years.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

21. Financial instruments – accounting classifications and fair value

The following table shows the Group's carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

Group 28 March 2020	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
Financial assets not measured at fair value			
Trade and other receivables	30,049	-	30,049
Cash and cash equivalents	14,289	-	14,289
	<u>44,338</u>	<u>-</u>	<u>44,338</u>
Financial assets measured at fair value			
Forward exchange contracts	262	-	262
	<u>262</u>	<u>-</u>	<u>262</u>
Financial liabilities not measured at fair value			
Secured bank loans	-	(22,845)	(22,845)
Secured loan notes	-	(75,691)	(75,691)
Lease liabilities	-	(27,407)	(27,407)
Trade and other payables	-	(56,257)	(56,257)
	<u>-</u>	<u>(182,200)</u>	<u>(182,200)</u>
30 March 2019			
Financial assets not measured at fair value			
Trade and other receivables	28,986	-	28,986
Cash and cash equivalents	16,462	-	16,462
	<u>45,448</u>	<u>-</u>	<u>45,448</u>
Financial liabilities not measured at fair value			
Secured bank loans	-	(39,689)	(39,689)
Secured loan notes	-	(70,828)	(70,828)
Lease liabilities	-	(123)	(123)
Trade and other payables	-	(52,115)	(52,115)
	<u>-</u>	<u>(162,755)</u>	<u>(162,755)</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

21. Financial instruments – accounting classification and fair value (continued)

Company	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
28 March 2020			
Financial assets not measured at fair value			
Trade and other receivables	76,740	-	76,740
Cash and cash equivalents	2,125	-	2,125
	<u>78,865</u>	<u>-</u>	<u>78,865</u>
Financial assets measured at fair value			
Forward exchange contracts	262	-	262
	<u>262</u>	<u>-</u>	<u>262</u>
Financial liabilities not measured at fair value			
Secured bank loans	-	(22,845)	(22,845)
Secured loan notes	-	(75,691)	(75,691)
Lease liabilities	-	(4,001)	(4,001)
Trade and other payables	-	(30,664)	(30,664)
	<u>-</u>	<u>(133,201)</u>	<u>(133,201)</u>
30 March 2019			
Financial assets not measured at fair value			
Trade and other receivables	79,373	-	79,373
Cash and cash equivalents	5,299	-	5,299
	<u>84,672</u>	<u>-</u>	<u>84,672</u>
Financial liabilities not measured at fair value			
Secured bank loans	-	(39,689)	(39,689)
Secured loan notes	-	(70,828)	(70,828)
Lease liabilities	-	(106)	(106)
Trade and other payables	-	(19,519)	(19,519)
	<u>-</u>	<u>(130,142)</u>	<u>(130,142)</u>

Excluded from financial assets are prepayments as these assets fall out with the scope of financial instruments due to the cash element having been settled. The fair value and carrying value of financial instruments have been assessed and there is deemed to be no material differences between fair value and carrying value.

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

22. Financial risk management

The Group is exposed to financial risks including, capital risk, credit risk, liquidity risk and certain market-based risks principally being the effects of changes in foreign exchange rates and interest rates. The Group manages these risks within the context of a set of formal policies established by the Board. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. These policies have remained unchanged throughout the period, are consistent with the previous period and are summarised below:

22.1 Capital risk management

When managing capital, the Group's objectives are to safeguard the business as a going concern, provide returns to shareholders, benefits for other stakeholders and maintain an optimal capital structure. The Group's capital structure consists of debt, cash and equity of the Group. In order to maintain its capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board monitors the strength of the Group's balance sheet by reference to the gearing and net debt to EBITDA ratios, which expresses the Group's net debt as a percentage of its equity and EBITDA. Net debt is total borrowings less cash and cash equivalents. Equity comprises issued share capital, reserves and retained earnings. EBITDA is earnings before interest, tax, depreciation and amortisation. The gearing ratios at 28 March 2020 and 30 March 2019 were as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Total borrowings (note 20)	125,943	110,640	102,537	110,623
Less: cash and cash equivalents (note 18)	(14,289)	(16,462)	(2,125)	(5,299)
Net debt	111,654	94,178	100,412	105,324
EBITDA pre-exceptional	36,780	29,169	4,693	7,412
EBITDA ratio	304%	323%	2140%	1421%
Equity	99,779	93,224	60,176	62,762
Gearing ratio	112%	101%	167%	168%

22.2 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 receivables from customers and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. Refer to note 17 for further details on the Group exposure to credit risk.

Cash and cash equivalents

The Group held cash and cash equivalents of £14.3m at 28 March 2020 (2019: £16.5m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A+ to AA-, based on Standard & Poor's ratings.

Forward contracts

The Group held forward contracts with a fair value of £0.3m at 28 March 2020 (2019: nil), with bank and financial institution counterparties, which are rated A+ to AA-, based on Standard & Poor's ratings.

22.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

22. Financial risk management (continued)

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 28 March 2020, the expected cash flows from trade and other receivables maturing within two months were £50.2m (2019: £56.3m). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition to internally generated liquidity, the Group maintains a £18.0m secured multicurrency revolving credit facility.

Exposure to liquidity risk

Maturity of financial liabilities

The tables below analyse the Group's and Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period to the contractual maturity dates at 28 March 2020 and 30 March 2019. The amounts disclosed in the tables are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

Group				
28 March 2020	1 year or less	1-2 years	2-5 years	Over 5 years
	£'000	£'000	£'000	£'000
Bank borrowings and other loans	3,227	19,618	75,691	-
Lease liabilities	5,175	4,560	11,782	9,020
Trade and other payables	56,257	-	-	-
	<u>64,659</u>	<u>24,178</u>	<u>87,473</u>	<u>9,020</u>
30 March 2019	1 year or less	1-2 years	2-5 years	Over 5 years
	£'000	£'000	£'000	£'000
Bank borrowings and other loans	17,951	3,077	89,489	-
Lease liabilities	80	29	14	-
Trade and other payables	52,115	-	-	-
	<u>70,146</u>	<u>3,106</u>	<u>89,503</u>	<u>-</u>
Company				
28 March 2020	1 year or less	1-2 years	2-5 years	Over 5 years
	£'000	£'000	£'000	£'000
Bank borrowings and other loans	3,227	19,618	75,691	-
Lease liabilities	950	873	1,592	928
Trade and other payables	30,664	-	-	-
	<u>34,841</u>	<u>20,491</u>	<u>77,283</u>	<u>928</u>
30 March 2019	1 year or less	1-2 years	2-5 years	Over 5 years
	£'000	£'000	£'000	£'000
Bank borrowings and other loans	17,951	3,077	89,489	-
Lease liabilities	69	23	14	-
Trade and other payables	19,519	-	-	-
	<u>37,539</u>	<u>3,100</u>	<u>89,503</u>	<u>-</u>

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

22. Financial risk management (continued)

As disclosed in note 20, the Group has secured bank loans, these contain bank loan covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenants are monitored on a regular basis by the finance department and regularly reported to the Board to ensure compliance with the loan agreement.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

22.4 Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Foreign exchange risk

Foreign currency risk is the risk of financial loss to foreign currency net assets, earnings and cash flows reported in pounds sterling due to movements in exchange rates. The functional currencies of Group companies are primarily Sterling, US dollars, and Australian dollars.

The Group makes use of forward exchange contracts to manage risk relating to future transactions, in accordance with its risk management policy. At 28 March 2020 contracts with fair value of £0.3m were in place (30 March 2019-£nil).

Derivative financial instruments that are measured at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and as such hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in its US subsidiary is hedged by a US Dollar denominated loan note (carrying amount: £75.7m (2019: £70.4m)). The loan is designated as a net investment hedge.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

22. Financial risk management (continued)

The table below details the impact changes in foreign exchange rates would have had on the Group's post-tax profit for the periods ended 28 March 2020 and 30 March 2019 due to the translation of both subsidiary profits from their functional currency into sterling, and also underlying currency transactions and balances within Group companies which are denominated in currencies other than the reporting currency of that Group company. The movements in equity as at 28 March 2020 and 30 March 2019 includes the impact changes in foreign exchange rates would have on the translation of subsidiary net assets, as well as the effect of cash flow currency and net investment hedges.

In each case, it is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant. The percentage foreign currency movement is based on the maximum annual percentage movement against sterling during the previous four years. Results are shown for all currencies where the impact on Group post tax profits would be more than £100,000.

	Impact on operating profit before exceptionals gains/(losses)		Impact on profit after tax gains/(losses)		Impact on equity increase/(decrease)	
	Strengthening £'000	Weakening £'000	Strengthening £'000	Weakening £'000	Strengthening £'000	Weakening £'000
2020						
US Dollar: 21%	6,855	(4,474)	3,324	(2,139)	31,098	(20,304)
Australian Dollar: 25%	(1,273)	764	(1,946)	1,192	(598)	359
2019						
US Dollar: 21%	6,079	(3,968)	2,327	(1,153)	23,455	(15,312)
Australian Dollar: 25%	(1,375)	825	4,922	(2,565)	403	(242)

b) Interest rate risk

The Group's interest rate risk arises from borrowings and cash deposits. The Group has a policy of monitoring interest rate exposure on a regular basis and structures borrowings in the desired currencies at a mixture of fixed and floating interest rates. No interest rate hedging was in place at 28 March 2020 or 30 March 2019.

23. Provisions

	Group £'000
Balance at 31 March 2018	4,632
Exchange adjustments	344
Provision used during the period	(524)
Balance at 30 March 2019	4,452
IFRS 16 adjustment	(2,076)
Exchange adjustments	290
Provision used during the period	(344)
Balance at 28 March 2020	2,322

A provision was created on the acquisition of The Wornick Company Inc. for onerous lease liabilities relating to certain property and equipment leases. The element of the lease provision relating to the contractual term was allocated to Right of Use Asset on transition to IFRS 16. The remaining provision is expected to be utilised over the likely tenancy duration.

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

24. Deferred income

Group	Government Grants £'000
Balance at 31 March 2018	728
Exchange adjustments	28
Amortisation in the period	(35)
Balance at 30 March 2019	721
Exchange adjustments	(5)
Amortisation in the period	(26)
Balance at 28 March 2020	690

25. Retirement benefit obligations

The Group pension arrangements are operated through a defined contribution scheme and a Group defined benefit scheme.

Defined contribution pension scheme

The Group and Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group and Company to the scheme and amounted to £586,000 (2019: £378,000).

Defined benefit scheme

The Group and Company operates a funded defined benefit pension scheme. The final salary scheme is closed to new members and was closed to future accrual on 28 February 2018. The scheme is administered by a single pension fund that is legally separated from the Group. The defined benefit pension scheme exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment risk).

The valuation used for the IAS 19 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 28 March 2020. Scheme assets are stated at their market value at 28 March 2020.

The scheme is funded by the Group and funding requirements are based on the pension fund's actuarial measurement framework, as set out within the funding policies of the plan. The Group paid contributions of £4,120,000 (2019: £6,120,000) during the period as a result of the deficit recovery plan agreed with the Trustees of the Scheme. At the period end, contributions of £nil (2019: £80,000) were included in accruals.

Employer's contributions rose from 11.6% to 15.2% of pensionable salaries with effect from 1 June 2013. The Group will continue to make special contributions in line with the recovery plan.

The estimated amounts of contributions expected to be paid to the scheme during the 2021 financial period is £3,120,000.

The principal actuarial assumptions are as follows:		At 28 March 2020	At 30 March 2019
Rate of increase in salaries		n/a	n/a
Rate of increase in pensions		2.00%	2.00%
Discount rate		2.20%	2.30%
Inflation assumption	- RPI	2.70%	3.20%
	- CPI	2.20%	2.20%

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

25. Retirement benefit obligations (continued)

Demographic assumptions

The specific mortality rates used are based on the SAPS 2 CMI 2017 tables adjusted to allow for the experience of scheme pensioners. The life expectancies underlying the valuation are as follows:

		28 March 2020 Years	30 March 2019 years
Current pensioners (at age 65)	Males	21.3	21.3
	Females	23.2	23.2
Future pensioners (at age 65)	Males	22.4	22.4
	Females	24.4	24.4

	28 March 2020 £'000	30 March 2019 £'000
The balance sheet position of the scheme is as follows:		
Fair value of assets	72,254	67,601
Present value of obligations (fully funded)	(72,421)	(72,866)
Net pension liability	(167)	(5,265)

	28 March 2020 %	30 March 2019 %
Plan assets as a percentage of total plan assets are as follows:		
Equities	52	56
Bonds	38	44
Property	-	-
Cash	10	-

The scheme's investment strategy is to invest in approximately 58% Return seeking assets and 42% Matching assets. This reflects the liability profile, and the trustees' and employer's attitude to risk albeit this remains under regular review.

BAXTERSFOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

25. Retirement benefit obligations (continued)

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000	28 March 2020 £'000	30 March 2019 £'000
Balance at start of period	(72,864)	(72,259)	67,601	56,017	(5,263)	(16,242)
Included in income statement						
Service cost	-	(723)	-	-	-	(723)
Curtailment	-	-	-	-	-	-
Interest (cost)/income	(1,641)	(1,771)	1,568	1,439	(73)	(332)
	(1,641)	(2,494)	1,568	1,439	(73)	(1,055)
Included in other comprehensive income						
Actuarial losses arising from:						
- Changes in demographic assumptions	(293)	1,489	-	-	(293)	1,489
- Changes in financial assumptions	92	(3,530)	-	-	92	(3,530)
- Experience adjustment	(784)	1,086	-	-	(784)	1,086
Return on plan assets	-	-	2,034	6,866	2,034	6,866
	(985)	(955)	2,034	6,866	1,049	5,911
Other						
Contributions by employees	-	-	-	1	-	1
Contributions by employer	-	-	4,120	6,120	4,120	6,120
Benefits paid	3,069	2,842	(3,069)	(2,842)	-	-
	3,069	2,842	1,051	3,279	4,120	6,121
Balance at end of period	(72,421)	(72,866)	72,254	67,601	(167)	(5,265)

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.25%:

	Group	
	28 March 2020 £000	30 March 2019 £000
Increase in discount rate	(3,018)	(3,111)
Increase in inflation (RPI, CPI)	1,675	1,290

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

26. Capital and reserves

Share capital	28 March 2020 £'000	30 March 2019 £'000
Allotted, called up and fully paid 636,548 ordinary shares of £1 each	637	637

Merger reserve

The merger reserve comprises restructuring adjustments relating to the restructuring of the Group in 2007, which utilised the principals of merger accounting.

Revaluation reserve

Where property, plant and equipment is revalued, the cumulative increase in the fair value of the property at the date of revaluation in excess of any previous impairment losses is included in the revaluation reserve.

Capital contribution reserve

The capital contribution reserve is a Company only reserve and comprises intercompany loans due from the Company which have been forgiven by the counterparty.

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 June 2014, the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Retained earnings

Retained earnings represents accumulative profits and losses net of dividends and other distributions.

Dividends

During the period a dividend of £1.5m (2019: £1.5m) was paid.

After the balance sheet date, a dividend of £1.5m (2019: £1.5m) has been proposed by the directors.

27. Capital commitments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Contracted for but not provided	1,547	2,078	1,411	648

28. Parent and ultimate controlling party

The immediate parent and ultimate controlling party of the company is W. A. Baxter & Sons (Holdings) Limited, which is incorporated and registered in Scotland, with its registered office being 12 Charlotte Square, Edinburgh, EH24DJ, and represents being the parent of the largest group of undertakings to which the results of the Company are consolidated. Copies of W. A. Baxter & Sons (Holdings) Limited financial statements are available from Companies House.

BAXTERSFOODGROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

29. Related party transactions

Group

During the prior period the Group purchased a property for an amount of £1.6m, previously leased from the Baxters Food Group Pension Scheme. The rent payable by the Group during the period ended 28 March 2020 was £nil (2019: £60,000). In addition, property recharges from the Scheme amounted to £nil (2019: £nil) and other recharges amounted to £248,000 (2019: £450,000). The balance due to the scheme at the period end was £nil (2019: £80,000).

Key management are deemed to be the Executive and Non-Executive Directors and the Executive Board of the Group as together they have the authority and responsibility for controlling Group activities. The compensation paid or payable to key management for employee services is shown below:

	28 March 2020 £'000	30 March 2019 £'000
Emoluments payable to executive and non-executive directors		
Emoluments for qualifying services	2,519	3,638
Post-employment benefits	23	13
Emoluments payable to remainder of the executive board		
Emoluments for qualifying services	1,608	1,746
Post-employment benefits	65	64
Total emoluments payable to key management	4,215	5,461

Company

At the period end the Company had a non-interest bearing loan of £362,000 (2019: £362,000) outstanding from the parent company. The loan is repayable on demand.

At the end of the period the Company had an outstanding loan of Polish Zloty (PLN) 4,600,000 (2019: PLN 4,600,000) payable by Baxters Poland. The loan bears interest of 8% and 3,067,000 PLN (2019: PLN 2,481,000) of accrued interest was due from Baxters Poland at the end of the period. At the end of the period the trading balance due by the Company to Baxters Poland was £2,940,000 (2019: £2,538,000). All balances are repayable on demand.

At the end of the period the Company had an outstanding loan of A\$55,202,000 (2019: A\$49,966,000) due from Baxters Foods Australia Pty. A provision of £nil has been recognised in the period against the loan (2019: £11,696,827), the total provision is £19,260,697. The loan bears interest of 0.5% above the Lloyds rate. At the period end accrued interest of A\$8,819,000 (2019: A\$6,260,000) was outstanding. At the end of the period, the trading balance due to the Company was £1,939,000 (2019: £992,000) and is repayable on demand.

At the end of the period the Company had an outstanding loan of A\$2,741,000 (2019: A\$2,741,000) due from Baxters Food Group Properties Pty. The loan bears interest of 0.5% above the Lloyds rate. At the period end accrued interest of A\$847,000 (2019: A\$698,000) was outstanding.

At the end of the period the Company had a loan of US\$115,000,000 (2019: US\$115,000,000) due from Baxters North America Inc. The loan bears interest of 5.75% above LIBOR. At the period end the treasury balance due by the Company to Baxters North America Inc was US\$68,649,393 (2019: US\$43,676,502).

At the end of the period the Company was due £1,097,000 (2019: £102,000) to The Wornick Company for trading balances.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 MARCH 2020

30. Non-principal investments within the group

	Country of registration or incorporation	Shares held Class	%	Principal activity
Baxters North America Inc.	USA	Ordinary	100	Intermediate holding company
The Wornick Holding Company Inc.	USA	Ordinary	100	Intermediate holding company
Baxters of Speyside Ltd	Scotland	Ordinary	100	Dormant
Baxters Foodservice Ltd	Scotland	Ordinary	100	Dormant
Fonds de Cuisine Ltd	Scotland	Ordinary	100	Dormant
Garner's Foods Ltd	England & Wales	Ordinary	100	Dormant
Baxters (Colchester) Ltd	England & Wales	Ordinary	100	Dormant
Audrey Baxter Ltd	Scotland	Ordinary	100	Dormant
Audrey Baxter Signature Ltd	Scotland	Ordinary	100	Dormant
Audrey Baxter Signature Range Ltd	Scotland	Ordinary	100	Dormant
Right Away Management Corporation	USA	Ordinary	100	Dormant
The Wornick Company Right Away Division	USA	Ordinary	100	Dormant
The Wornick Company Right Away Division L.P.	USA	Ordinary	100	Dormant

31. Post balance sheet event

On 31st July the company acquired 92% of the share capital of Orexis Fresh Foods Limited, for an initial consideration of £6.3m.