

Company no: 03010158

Aryzta Bakeries UK Limited

Annual Report and Financial Statements

Financial Year Ended 31 July 2017

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DIRECTORS AND OTHER INFORMATION

Board of Directors

Sean Murphy (Irish)
Thierry Cacaly (French)
Dermot Murphy (Irish)

Business Address

Unit 5
Henson Way
Telford Way Industrial Estate
Kettering
Northamptonshire
England
NN16 8PX

Secretary and Registered Office

Thierry Cacaly
Unit 5
Henson Way
Telford Way Industrial Estate
Kettering
Northamptonshire
England
NN16 8PX

Solicitors

Laytons Solicitors LLP
2 More London Riverside
London
SE1 2AP

Registered Number: 03010158

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
One Spencer Dock
North Wall Quay
Dublin 1

Bankers

Bank of America
London Branch
2 King Street
London
EC1A 1HQ

STRATEGIC REPORT

The directors present their strategic report on the company for the year ended 31 July 2017.

Review of the business

The business is a leading provider of speciality bakery products across the confectionary, rolls and buns categories. The business serves customers primarily in the retail sectors and food services.

Competition is strong in the UK retail market and the challenge for the retailers is to continue to appeal to an even more discerning customer. As retailers continue to offer new propositions we offer tailored solutions to support their repositioning, whilst maintaining and improving on product quality customer service level standards.

The essence of Aryzta Bakeries UK Ltd. (ABUK) is the manufacture of high quality craft bakery products for the UK Retail and Food Service markets. To ensure that the company continues to have the capacity and capability to maintain and grow market share, ABUK has made significant investment in product, technology and plant in the last few years. FY2016 was the first full year of operations for the Bun Bakery in Dunstable. At the same time, investment continued in the Kettering Bakery as the site's production and warehouse capacity were both expanded. The Kettering project was completed in H1 of FY2017.

In order to offer UK customers the maximum choice of quality bakery projects, ABUK also leverages the capability of Aryzta Bakeries across Europe. This initiative delivered promising results in FY2016 and will continue to be a key part of our growth strategy going forward.

Turnover increased in the year in the continuing business as new contracts were won, however an increase in warehouse and distribution costs linked to the expansion of the site lead to a loss in the year. However the directors are satisfied with the performance of the company and its financial position and fully expect the company's return to profitability.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties the company faces to be:

- the risk of a sustained downturn in the economy
- the risk of customers transferring to competitors
- the risk of not retaining key employees
- the risk of significant price fluctuations in key commodity supplies
- the risk of the loss of brand reputation due to product quality
- the risk posed by a rising cost base
- the risk of changes in government legislation regarding the composition and labelling of food products

Key performance indicators that are focused on by management include:

- sales volumes
- gross margin
- production costs
- warehouse and distribution costs
- overheads
- capital expenditure
- stock management
- days sales outstanding
- number of buying customers

Each of these indicators are monitored by management against budget and against prior periods.

On behalf of the board


Sean Murphy
Director

Date: 02/08/2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 July 2017.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2006 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit and loss account for the year ended 31 July 2017 and the balance sheet at that date are set out on pages 9 and 10. The company recorded a loss for the financial year of £3.9m (2016: £4.1m). Total equity at 31 July 2017 amounted to £10.8m (2016: £14.8m). There were no dividends paid in the year (2016: Nil).

Financial instruments

The company's operations expose it to a variety of financial risks that include the effects of foreign currency risk, credit risk, interest rate risk, price risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company of these risks.

Foreign currency risk

The assets and liabilities of the company are denominated in Sterling (£), the base currency for the company and the currency in which these financial statements are prepared. The company has minimised its exposure to foreign currency risk by entering into forward exchange controls where deemed appropriate.

Credit risk

The company is exposed to credit risk on debtors with whom it trades. The company minimises concentrations of credit risk by providing credit to well-capitalised debtors, the enforcement of strict credit terms and ensuring that the company has adequate credit insurance.

DIRECTORS' REPORT - continued

Financial instruments - continued

Interest rate risk

The majority of the company's assets and liabilities do not suffer from interest rate risk. Interest received on bank deposits is subject to interest rate risk. The directors do not believe that the interest rate movements present a significant threat to the future operations of the company as the company does not have any short or long term borrowings, outside of the Aryzta Group.

Price risk

The company is exposed to price risk on the fluctuations in the commodity market. The company minimises this risk by engaging in fixed price agreements and by ensuring a varied supply base.

Liquidity risk

As at 31 July 2017, the company had current assets consisting of short-term debtors, stock and cash at bank. The main liabilities of the company consist of creditors falling due within one year and intercompany creditors falling due after more than one year. The company adopts an efficient working capital model in order to minimise liquidity risk. The company enforces strict credit terms on debtors and continually meets conditions laid down by the creditors in terms of payments. The company maintains a credit balance with its bankers. The company's policy is to agree terms of payments with suppliers when agreeing the terms of each transaction.

Events since the end of the financial year

See details set out in note 18 to the financial statements.

Registered number

The company's registered number is 03010158.

Research and development

The company remains committed to investing in research and development projects where there are clearly defined business benefits.

Efforts are concentrated across two areas. Firstly on the on-going development of bespoke production lines that improve both product quality and productivity. Secondly on innovation within product development, that allows the company to improve the overall quality and breadth of its product range.

Future developments

See details outlined in strategic report.

Directors and secretary

The directors who served during the year and since year end were as follows:

M Kelly	(resigned 19 September 2016)
R M Fell	(resigned 19 September 2016)
S T Murphy	(appointed 1 May 2015)
GJ Hart	(resigned 7 July 2017)
T Cacaly	(appointed 19 September 2016)
D Murphy	(appointed 19 September 2016)

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

DIRECTORS' REPORT - continued

Employees - continued

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Policy and practice on payment of creditors

It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Disclosure of information to auditors

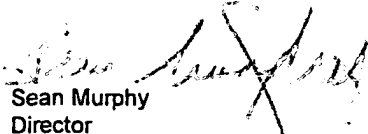
The directors in office at the date of this report have each confirmed that:

- as far as he/she is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Sean Murphy
Director

Date: 02/08/2016



Independent auditors' report to the members of Aryzta Bakeries UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Aryzta Bakeries UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 July 2017; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") and applicable law. Our responsibilities under ISAs (UK and Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.



Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK & Ireland) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 & Ireland) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Siobhan Collier (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
2 August 2018

PROFIT AND LOSS ACCOUNT
Financial Year Ended 31 July 2017

	Note	2017 £'000	2016 £'000
Turnover	5	39,869	39,822
Cost of sales		<u>(32,464)</u>	<u>(32,120)</u>
Gross profit		7,405	7,702
Distribution costs		(5,639)	(6,056)
Administrative expenses		(6,449)	(5,572)
Other operating income		<u>37</u>	<u>32</u>
Operating loss	7	<u>(4,646)</u>	<u>(3,894)</u>
Interest receivable and similar income	8	4	36
Interest payable and similar expenses	9	<u>(89)</u>	<u>(7)</u>
Loss before taxation		(4,731)	(3,865)
Tax on loss	10	<u>783</u>	<u>(269)</u>
Loss for the financial year		<u>(3,948)</u>	<u>(4,134)</u>

There are no recognised gains or losses in the financial year other than those dealt with in the profit and loss account, therefore no separate Statement of Comprehensive Income has been presented.

BALANCE SHEET
As at 31 July 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	11	38,426	38,698
		<u>38,426</u>	<u>38,698</u>
Current assets			
Stocks	12	1,942	1,668
Debtors	13	7,612	10,385
Cash at bank and in hand		6,735	292
		<u>16,289</u>	<u>12,345</u>
Creditors (amounts falling due within one year)	14	<u>(8,801)</u>	<u>(10,070)</u>
Net current assets		<u>7,488</u>	<u>2,275</u>
Total assets less current liabilities		<u>45,914</u>	<u>40,973</u>
Creditors (amounts falling due after more than one year)	15	<u>(35,076)</u>	<u>(26,187)</u>
Net assets		<u>10,838</u>	<u>14,786</u>
Capital and reserves			
Called up share capital	16	610	610
Profit and loss account		<u>10,228</u>	<u>14,176</u>
Total equity		<u>10,838</u>	<u>14,786</u>

The notes on pages 12 to 26 are an integral part of these financial statements.

By order of the board

Sean Murphy
Director

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 July 2017

	Called-up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 August 2015	<u>610</u>	<u>18,310</u>	<u>18,920</u>
Loss for the financial year	-	(4,134)	(4,134)
Other comprehensive income for the financial year	-	-	-
Total comprehensive expense for the financial year	<u>-</u>	<u>(4,134)</u>	<u>(4,134)</u>
Balance at 31 July 2016	<u>610</u>	<u>14,176</u>	<u>14,786</u>
Balance at 1 August 2016	<u>610</u>	<u>14,176</u>	<u>14,786</u>
Loss for the financial year	-	(3,948)	(3,948)
Other comprehensive income for the financial year	-	-	-
Total comprehensive expense for the financial year	<u>-</u>	<u>(3,948)</u>	<u>(3,948)</u>
Balance at 31 July 2017	<u>610</u>	<u>10,228</u>	<u>10,838</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Aryzta Bakeries UK Limited ('the company') is a leading provider of speciality breads. The company offers products in the category of confectionary, rolls and buns. The business serves customers primarily in the retail sectors and food services.

Aryzta Bakeries UK Limited is incorporated as a company limited by shares in the United Kingdom. The address of its registered office is Unit 5, Henson Way, Telford Way Industrial Estate, Kettering, Northamptonshire, England, NN16 8PX.

The ultimate holding company is ARYZTA AG, an undertaking incorporated in Switzerland. The immediate parent company is Aryzta UK Holdings Limited, an undertaking incorporated in the United Kingdom.

The smallest and largest group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Aryzta AG. Copies of the group financial statements may be obtained from Aryzta AG, Talacker 41, 8001, Zurich, Switzerland, or www.arvzta.com.

These financial statements are the company's separate financial statements for the financial year beginning 1 August 2016 and ending 31 July 2017.

2 Statement of compliance

The entity financial statements have been prepared on a going concern basis and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

(a) Basis of preparation

The entity financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 4.

(b) Going concern

The company meets its day-to-day working capital requirements through its group bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. In addition, the company has received a letter of financial support from its ultimate parent company, ARYZTA AG, to enable it to meet its financial liabilities as they fall due for payment until at least 12 months from the date of approval of these financial statements. On this basis these entity financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(c) Disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions to a member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation. The company is a qualifying entity and has taken advantage of the below disclosure exemptions:

- (i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows.
- (ii) Exemption from the financial instrument disclosure requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102 providing the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- (iii) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.
- (iv) Exemption from the requirement of FRS 102 paragraph 4.12(a)(iv) to disclose a reconciliation of the number of shares outstanding at the beginning and end of the period.
- (v) Exemption from certain disclosure requirements of Section 26 of FRS 102 (paragraphs 26.18(b), 26.19 to 26.21 and 26.23, in respect of share-based payments provided that (i) for a subsidiary the share-based payment arrangement concerns equity instruments of another group entity; or (ii) for an ultimate parent, the share-based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases provided the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

(d) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling, denominated by the symbol "£" and unless otherwise stated, the financial statements have been presented in thousands ('000).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to Pound Sterling using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable and similar income' or 'interest payable and similar charges' as appropriate.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(f) Share capital presented as equity

Equity shares issued are recognised at the proceeds received and presented as share capital and share premium. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(g) Financial instruments

The company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and cash equivalents, short-term deposits and investments in corporate bonds, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Trade and other debtors, cash and cash equivalents, investments in corporate bonds and financial assets from arrangements which constitute financing transactions are subsequently measured at amortised cost using the effective interest method.

At the end of each financial year financial assets measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortised cost is impaired an impairment loss is recognised in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate.

If, in a subsequent financial year, the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors, bank loans, loans from fellow group companies, preference shares and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortised cost, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is treated as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(g) Financial instruments - continued

(ii) *Financial liabilities - continued*

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as due within one year if payment is due within one year or less. If not, they are presented as falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) *Derivatives*

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not apply hedge accounting for interest rate swaps or forward foreign exchange contracts.

(iv) *Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(h) Employee benefits

The company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

(i) *Short term employee benefits*

Short term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) *Post-employment benefits*

Defined contribution plan

The company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(i) Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(j) Revenue recognition

(i) Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns, discounts and rebates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(ii) Other revenue

Aryzta Bakeries UK also earns interest income.

Interest income is recognised using the effective interest rate method. Interest income is presented as 'interest receivable and similar income' in the profit and loss account.

(k) Tangible fixed assets

Tangible fixed assets are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

(i) Land and buildings

Land and buildings include freehold and leasehold factories, retail outlets and offices. Land and buildings are carried at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(k) Tangible fixed assets - continued

(ii) Plant and machinery

Plant and machinery are carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method over their estimated useful lives, as follows:

Improvements	7% on cost
Plant and machinery	10% on cost

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Assets in the course of construction

Assets in the course of construction are carried at cost. These assets are not depreciated until they are available for use.

(l) Leased assets

(i) Finance leases

Finance leases transfer substantially all the risks and rewards incidental to ownership to the lessor.

At the commencement of the finance lease term the company recognises its right of use and obligation under a finance lease as an asset and a liability at the amount equal to the fair value of the leased asset, or if lower, at the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental and directly attributable costs incurred in negotiating and arranging a finance lease are included in the cost of the asset.

Assets under finance leases are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at the end of each financial year.

The minimum lease payments are apportioned between the outstanding liability and finance charges, using the effective interest method, to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating leases

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(m) Impairment of non-financial assets

At the end of each financial year non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash-generating unit) is estimated.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset (or cash-generating unit) and from its ultimate disposal. In measuring value-in-use pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued. If the asset has been revalued the impairment loss is recognised in other comprehensive income to the extent of the revaluation gains accumulated in equity in respect of that asset. Thereafter any excess is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior financial years. A reversal of an impairment loss is recognised in the profit and loss account, unless the asset is carried at a revalued amount.

(n) Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the financial year in which the related revenue is recognised.

Cost is determined using the first-in, first-out (FIFO) method. Cost comprises the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and a systematic allocation of direct costs and production overheads (based on normal operating capacity of the production facility).

At the end of each financial year, stocks are assessed for impairment. If an item of stock is impaired, the identified stock is measured at its selling price less costs to complete and sell and the resulting impairment loss is recognised in profit or loss. Where a reversal of the impairment loss is recognised the impairment loss is reversed, up to the original impairment loss, and is recognised in the profit or loss.

(o) Provisions and contingencies

(i) Provisions

Provisions are liabilities of uncertain timing or amount.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at the end of each financial year and adjusted to reflect the current best estimate of the amount required to settle the obligation. The unwinding of the discount is recognised as a finance cost in profit or loss, presented as part of 'interest payable and similar charges' in the financial year in which it arises.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Summary of significant accounting policies - continued

(o) Provisions and contingencies - continued

(ii) *Contingencies*

Contingent liabilities, arising as a result of past events, are not recognised as a liability because it is not probable that the company will be required to transfer economic benefits in settlement of the obligation or the amount cannot be reliably measured at the end of the financial year. Possible but uncertain obligations are not recognised as liabilities but are contingent liabilities. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

(p) Government grants

Government grants related to assets are presented in the balance sheet as deferred income. The deferred grant income is recognised in the profit and loss account on a systematic basis over the asset's expected useful life.

(q) Distributions to equity shareholders

Dividends and other distributions to company's equity shareholders are recognised as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the company's shareholders.

(r) Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's result as "exceptional items". These are disclosed separately to provide further understanding of the financial performance of the company.

4 Critical accounting judgements and estimation uncertainty

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) *Useful economic lives and impairment of tangible fixed assets*

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

The company considers whether tangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

See note 11 for the carrying amount of the tangible fixed assets, and note 3 for the useful economic lives for each class of tangible fixed assets.

(ii) *Impairment of stocks*

The company's products are subject to changing consumer demands. As a result it is necessary to consider the recoverability of the carrying amount of stock at the end of each financial year. When calculating any stock impairment, the directors consider the nature and condition of the stock, current estimated selling prices, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 12 for the net carrying amount of the stocks.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty - continued

(iii) Impairment of debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor. See note 13 for the net carrying amount of the debtors.

5 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company, sale of goods.

An analysis of turnover by geographical market is given below:

	2017 £'000	2016 £'000
United Kingdom	39,673	39,440
Republic of Ireland	196	382
	<u>39,869</u>	<u>39,822</u>

6 Staff

	2017 £'000	2016 £'000
Wages and salaries	10,013	11,458
Social security costs	701	600
Other pension costs	127	141
	<u>10,841</u>	<u>12,199</u>

	2017 Number	2016 Number
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The average monthly number of employees during the year was as follows:

Production employees	410	429
Administrative employees	36	48
	<u>446</u>	<u>477</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Operating loss	2017	2016
	£'000	£'000
The operating loss is stated after charging:		
Depreciation:		
- owned assets	2,492	2,081
- assets on hire purchase contracts	-	-
Operating Lease rentals	782	661
Auditors' remuneration		
- fees payable to company auditors for the audit	17	23
- tax services	-	24
Group recharges	1,805	2,640
Impairment recognised as an (income)/expense		
- impairment of inventory	(6)	6
- impairment of trade receivables	(50)	107
Inventory recognised as an expense	-	18,597
Foreign exchange differences	105	90
Directors' remuneration	-	209
Directors' pension costs	-	2
Information regarding the highest paid director is as follows:		
Total amount of emoluments	-	211
8 Interest receivable and similar income	2017	2016
	£'000	£'000
Other interest	4	36
9 Interest payable and similar expenses	2017	2016
	£'000	£'000
Other interest	89	7

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tax on loss	2017 £'000	2016 £'000
Current tax		
Corporation tax	-	-
Adjustment in respect of prior periods	(24)	-
	<u>(24)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(759)	832
Adjustment in respect of prior periods	-	(903)
Effect of change in rate on operating balance	-	340
	<u>(759)</u>	<u>269</u>
Total tax	<u>(783)</u>	<u>269</u>
Reconciliation of the tax charge	2017 £'000	2016 £'000
The tax charge on the loss on ordinary activities for the year was:		
Loss before taxation	<u>(4,731)</u>	<u>(3,865)</u>
Loss multiplied by standard rate of tax in the UK of 19.67% (2016: 20%)	(932)	(773)
Transfer pricing adjustment	-	(295)
Losses carried forward	352	-
Deferred tax	(759)	269
Expenses not deductible for tax purposes	2	1
Depreciation in excess of capital allowances	452	-
Capital allowances in excess of depreciation	-	(366)
Adjustment in respect of prior periods	(24)	-
Group relief surrendered	158	1,433
Income not taxable	(32)	-
Current tax charge	<u>(783)</u>	<u>269</u>
Deferred tax asset	2017 £'000	2016 £'000
Opening balance	(2,179)	(2,448)
Deferred tax charge/(credit) in profit and loss account for the year	759	269
Adjustment in respect of prior periods	-	-
Closing balance	<u>(2,938)</u>	<u>(2,179)</u>

The deferred tax asset relates to timing differences on fixed assets. The closing deferred tax asset is measured at 19%. The deferred tax asset expected to reverse in 2018 is £641k.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Tangible fixed assets	Improvements to property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 August 2016	14,530	32,126	46,656
Additions	273	1,946	2,219
At 31 July 2017	14,803	34,072	48,875
Accumulated Depreciation			
At 1 August 2016	(1,605)	(6,353)	(7,958)
Charge for year	(722)	(1,770)	(2,492)
At 31 July 2017	(2,327)	(8,123)	(10,450)
Carrying Value			
At 31 July 2016	12,925	25,773	38,698
At 31 July 2017	12,476	25,949	38,426

Assets under construction, included in the above note, are held at a value of £694m.

There were no fixed assets, included in the above, which are held under hire purchase contracts.

12 Stocks	2017 £'000	2016 £'000
Raw materials	569	887
Finished goods	1,130	781
Consumables/engineering	243	-
	1,942	1,668

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Stocks - continued

There is no significant difference between the replacement cost of raw materials, work in progress and finished goods and goods for resale and their carrying amounts.

Stocks are stated after provisions for impairment of £31,720 (2016: £38,375).

13 Debtors (amounts falling due within one year)	2017 £'000	2016 £'000
Trade debtors	3,318	2,732
Deferred tax	2,938	2,179
Amounts owed by group undertakings	385	3,501
Other debtors	311	920
VAT	278	613
Corporation tax	-	-
Prepayments and accrued income	382	440
	<u>7,612</u>	<u>10,385</u>

Amounts due by group undertakings and related parties are unsecured, interest free and are repayable on demand.

Trade debtors are stated after provision for impairment of £85,002 (2016: £136,118).

Sale of receivables

The company manages credit risk through the use of a receivable purchase arrangement with a financial institution. Under the terms of this non-recourse agreement, the company has transferred credit risk and control and certain trade receivables amounting to £1,537,287 through the ultimate parent entity Aryzta AG. The company has retained late payment risk, as the consideration ultimately received will vary depending on the timing of payment by the customers concerned. The company has retained the "continuing involvement" in these receivables and so an amount continues to be recognised on the balance sheet.

14 Creditors (amounts falling due within one year)	2017 £'000	2016 £'000
Trade creditors	5,169	5,431
Taxation and social security	187	258
Other creditors	179	101
Amounts owed to group undertakings	349	516
Accruals and deferred income	2,917	3,764
	<u>8,801</u>	<u>10,070</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Creditors (amounts falling due after more than one year)	2017	2016
	£'000	£'000
Amounts owed to group undertakings	<u>35,076</u>	<u>26,187</u>

Amounts due to group undertakings are unsecured and interest free.

16 Called up share capital	Nominal value	2017	2016
		£'000	£'000
Allotted and issued			
Number: Class:			
610,000 Ordinary	<u>£1</u>	<u>610</u>	<u>610</u>

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years less dividends paid.

17 Related party disclosures

The company is a wholly owned subsidiary of ARYZTA AG. Transactions with ARYZTA AG and with all other wholly owned subsidiary companies of the group are not disclosed as the company has taken advantage of the exemption available from disclosing such transactions.

18 Events since the end of the financial year

There were no events since the end of the financial year which would require disclosure in the financial statements.

19 Future purchase commitments	2017	2016
	£'000	£'000
Contracted but not provided for in the financial statements	<u>41</u>	<u>589</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Capital and other commitments

Future minimum lease payments under non-cancellable operating leases at the end of the financial year were:

	2017 £'000	2016 £'000
Payments due:		
Not later than one year	934	612
Later than 1 year and less than 5 years	3,843	2,250
Later than 5 years	7,528	1,539
	<u>12,305</u>	<u>4,401</u>

21 Approval of financial statements

The directors approved the financial statements on 27/08/2018.