Company Registration No. 08846838 (England and Wales)

HOVIS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

HOVIS LIMITED

COMPANY INFORMATION

Directors	C Leembruggen G Idicula P A Hill K Halai
Secretary	P A Hill
Company number	08846838
Registered office	The Lord Rank Centre Lincoln Road High Wycombe Buckinghamshire HP12 3QS
Independent Auditors	PricewaterhouseCoopers LLP 40 Clarendon Road Watford Hertfordshire WD17 1JJ

HOVIS LIMITED

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HOVIS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their Strategic Report on Hovis Limited (the "Company") for the year ended 31 December 2020.

Review of the business

Hovis Limited is a baking business engaged in the production and sale of bread and bakery products in the United Kingdom and Ireland.

The market for bread and bakery products remains highly competitive, with sales margins under pressure due to continuing broader changes in the dynamics of the supermarket grocery sector. Hovis Limited met these challenges in 2020, by continuing to focus on making and distributing the best quality bread.

The Company also continued to progress its environmental agenda. During 2020, the business rolled out Bio Diesel to more of its sites after a successful pilot in 2019, leading to a significant end to end reduction of CO_2, NOXe and particulates. It also completed key projects to remove hard to recycle plastic coating on flow wrap, adding recycled content to our pallet wrap and continuing the relationship with Terracycle.

Hovis donated over 250,000 loaves to Fareshare, the UK's largest and longest-running food redistribution charity and started working to tackle hunger and food waste through its participation in the Marcus Rashford Child Food Poverty Taskforce.

The emergence of the COVID-19 pandemic in early 2020, brought volatility and challenge to the market. Hovis Limited saw an overall increase in demand for its products as consumer habits changed as a result of the COVID-19 pandemic lockdown measures. It worked closely with customers to balance this demand against the available capacity within its supply chain footprint. Along with an increase in demand, the pandemic also brought a number of unforeseen costs.

Throughout the pandemic, the Company focussed foremost on the health of its workers, closely following government advice on appropriate measures to protect all of its colleagues, as well as maintaining its normal high standards of health and safety.

The key financial performance indicators used by the business are shown below. Management closely monitor the EBITDA of the business.

	2020 12 Months	**2019 12 Months**
	£m	**£m**
Revenue	360.7	333.8
Cost of sales	(263.0)	(236.7)
Gross profit	97.7	97.1
Distribution expenses	(81.1)	(76.9)
Administrative expenses	(13.8)	(14.5)
Add: Depreciation and amortisation	20.0	17.4
EBITDA	22.8	23.1
EBITDA pre IFRS 16	***13.8***	***15.4***
EBITDA margin	6.3%	6.9%
EBITDA margin pre IFRS 16	***3.8%***	***4.6%***

The Company has net assets of £79,324k (2019: £85,614k).

The Company uses a number of non-financial performance indicators, including measures to monitor quality and wastage at each site. The Directors recognise the need for continuous improvement and investment to ensure that appropriate standards and excellence in quality is taken as the minimum required.

The Company continues to develop a leaner, more efficient operating model alongside focusing on new quality products and business development; leaving it well positioned to face future challenges.

Exceptional Items

During the year the Company incurred net exceptional costs of £8.1m (2019: £20.1m income).

The Company incurred significant one off costs on the transaction leading to the change in ultimate shareholders to Endless LLP on 5th November 2020.

The business also incurred one off costs as it continued its change programme aimed at increasing the efficiency of its operations across all its Sites.

Section 172 Statement

The Company continues its focus on a strong corporate governance strategy, applying the principles of the QCA Code, as set out in detail in the Hovis Holdings Limited statutory accounts. Details of how the Company engages with its key stakeholders are included in the Directors Report.

Principal risks and uncertainties

Due to the nature of the Group's business and the assets and liabilities contained within the statement of financial position, the main financial risk that the Directors consider to be relevant is the highly competitive nature of the bakery market and the impact changes in volume have on a largely fixed cost business. In order to manage this risk, the business continues to invest in the strength our brand, through continuing focus on product quality and development of the product range.

Additionally the business is exposed to commodity markets, principally wheat and energy. The level of volatility remains significant within these cost areas and with the consumer environment remaining challenging cost recovery is difficult. The Directors consider the processes that are in place for managing risk in these areas to be appropriate.

The Company is exposed to interest rate and foreign currency risk and where appropriate forward buying arrangements are put in place to reduce uncertainty of future cash outflows.

On behalf of the Board

C Leembruggen
Director
3rd June 2021

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The Directors do not recommend payments of a dividend.

Directors

The Directors, who served throughout the year and up to the date of signing the financial statements, were as follows:

C Leembruggen	
G Idicula	
P A Hill	
K Halai	(Appointed – 11 May 2020)

Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (arising from adverse movements in foreign currency, commodity prices and interest rates), credit risk and liquidity risk. The management of these risks, along with the day-to-day management of treasury activities is performed by the Company's treasury function. The policy framework governing the management of these risks is overseen by the Board.

The Company also enters into contracts with suppliers for its principal raw material requirements, some of which are considered commodities, diesel and energy. These commodity and energy contracts are part of the Company's normal purchasing activities. The Commodity Risk Management Committee monitors and reviews the Company's commodity price and energy price exposures.

Research and development

The Company carries out research and development necessary to support its principal activities as a manufacturer and distributor of bakery products. During the year, the Company incurred £174,040 (2019: £225,282) of research and development expenses.

Employees

The Company is an equal opportunities employer. The culture of the Company ensures that staff is trained to very high standards with each individual's technical and development skills continually being reviewed and enhanced. The culture has ensured that the Company has the available management skills to maintain growth underpinned by a robust internal promotion scheme. The focus on talent and development has also led to the Company developing and rolling out more Apprenticeship programmes within Central and Engineering functions. All of these programmes are now being encompassed in an umbrella programme called Hovis Academy.

The Company's policy is to consult and discuss with employees on matters likely to affect the employees' interests. This is achieved through regular communication, with the launch of a new communication platform in 2020. There are opportunities for employees to ask questions and provide feedback to the Board and management via the employee engagement committees at every Site, regular Townhall meetings, the annual employee satisfaction survey and via communication with our unions. Where necessary, the Company utilised technology to ensure that both training and communication continued throughout the pandemic.

The Company is opposed to all forms of discrimination. The Company continues to be supportive of the employment and advancement of disabled persons. Our selection processes are non-discriminatory and we always seek to give full and fair consideration to applications for employment from disabled people as well as their training, career development and promotion. Arrangements are made, whenever possible, for retraining employees who become disabled during their employment, to enable them to perform work identified as appropriate for their aptitude and abilities.

Business relationships
Our commercial team continue to build strong relationships with our customers, a key ingredient of which is regular dialogue. The Commercial Director attends all board meetings to share key insights and feedback from these customers with the board.

Our procurement team engage closely with key suppliers, with the aim of ensuring that suppliers meet the Group's compliance policies on ethical trading, health & safety, anti- bribery, competition law compliance and anti-slavery.

Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (see note 1.2 for further details).

Post balance sheet events
There were no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company.

Strategic Report
In accordance with the Companies Act 2006, S414(c), information in respect of business activities, risk and future developments are shown in the Strategic Report on pages 1-2.

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed.

On behalf of the Board

C Leembruggen
Director
3rd June 2021

Independent auditors' report to the members of Hovis Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hovis Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 101 "Reduced Disclosure Framework", 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, which comprise: the statement of financial position as at 31 December 2020; the income statement, the statement of comprehensive income and 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) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 December 2020 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 in respect of the financial statements, 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) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, employment regulation, health and safety legislation and other legislation specific to the industry in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in determining accounting estimates. Audit procedures performed included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the those charged with governance about existing and potential litigation and claims, and known or suspected instances of non-compliance with laws and regulations and fraud;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries, including journal entries with unusual account combinations;

- communicating relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and reminding them to be alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- testing management's judgements and estimates and assessing whether these show indicators of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
3rd June 2021

HOVIS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Revenue	3	360,706	333,756
Cost of sales		(263,034)	(236,702)
Gross profit		97,672	97,054
Distribution costs		(81,114)	(76,865)
Administrative expenses		(13,789)	(14,512)
Operating profit	5	2,769	5,677
Share of profit/(loss) of associate company	14	141	(20)
Investment write-off	14	-	(22,763)
Finance income	9	1	3
Finance costs	9	(1,267)	(1,123)
Dividend received		-	9,961
Exceptional (costs)/income	4	(8,076)	20,127
(Loss)/profit before taxation		(6,432)	11,862
Tax on (loss)/profit	10	142	(179)
(Loss)/profit for the financial year		(6,290)	11,683

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

HOVIS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
(Loss)/profit for the financial year	(6,290)	11,683
Other comprehensive income	-	-
Total comprehensive (expense)/income for the year	(6,290)	11,683

HOVIS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	33,022	35,584
Property, plant and equipment	11	47,995	49,347
Right of use assets	12	57,890	57,207
Investments	14	336	195
		139,243	142,333
Current assets			
Inventories	17	16,076	15,318
Trade and other receivables	18	58,733	53,243
Cash at bank and in hand		1,092	13,767
		75,901	82,328
Creditors: amounts falling due within one year			
Financial liabilities, loans and borrowings	19	(8,346)	(8,270)
Trade and other payables	21	(75,263)	(80,542)
		(83,609)	(88,812)
Net current liabilities		(7,708)	(6,484)
Total assets less current liabilities		131,535	135,849
Creditors: amounts falling due after more than one year			
Financial liabilities, loans and borrowings	19	(50,420)	(47,696)
Trade and other payables	22	(316)	(798)
Provisions for liabilities			
Other provisions	24	(1,475)	(1,741)
Net assets		79,324	85,614

HOVIS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Capital and reserves			
Called up share capital	**25**	241	241
Share premium account	**26**	40,229	40,229
Profit and loss account		38,854	45,144
Total shareholders' funds		79,324	85,614

The financial statements on pages 9 to 34 were approved by the Board of Directors and authorised for issue on 3rd June 2021 and are signed on its behalf by:

C Leembruggen
Director
Company Registration No. 08846838

HOVIS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
Balance at 1 January 2019	241	71,429	33,461	105,131
Profit for the financial year and total comprehensive income	-	-	11,683	11,683
Share premium reduction	-	(31,200)	-	(31,200)
Balance at 31 December 2019	241	40,229	45,144	85,614
Loss for the financial year and total comprehensive expense	-	-	(6,290)	(6,290)
Balance at 31 December 2020	241	40,229	38,854	79,324

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.1 Basis of preparation

Hovis Limited is a private company, incorporated and domiciled in the UK. The company is limited by shares.

The financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared under the historical cost convention, as modified by the derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006, as applicable to companies using FRS101.

The Company is a wholly-owned subsidiary of Hovis Holdings Limited and is included in the consolidated financial statements of Hovis Holdings Limited which are publicly available. Consequently, the Company has taken advantage exemption from preparing financial statements under the terms of section 400 of the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Hovis Holdings Limited in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 9 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present *comparative information in respect of: (i) paragraph 79(a) (iv) of* IAS 1, *(ii) paragraph 73(e) of* IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1 Accounting policies (Continued)

1.1 Basis of preparation (continued)

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

Where required, equivalent disclosures are given in the group financial statements of Hovis Holdings Limited. The group financial statements of Hovis Holdings Limited are available to the public and can be obtained as set out in note 30.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 1. The Company meets its day-to-day working capital requirements through its treasury management team.

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Thus they continue to adopt the going concern assumption in preparing the annual financial statements.

1.3 Revenue

Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to revenue. Due to the nature of sales rebates and discounts, although all sales rebates are calculated on the basis of agreements, there are management judgement and estimates when calculating commercial expense amounts and the associated accruals. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made.

Revenue is recognised when the goods are delivered and accepted by customers, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount can be measured reliably.

Sales rebates and discount reserves are established at the time of sale based on Management's best estimate of the amounts necessary to meet claims by the Company's customers in respect of these rebates and discounts. These estimates are based on experience and history. A provision is made at the time of sale and released if unutilised after assessment that the likelihood of such a claim being made has become remote. Sales related discounts comprise:

- Long term discounts and rebates – which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchased and sales growth.

- Short term promotional discounts – which are directly related to promotions run by customers.

For sales related discounts that must be earned, management make estimates related to customer performance, sales volume and agreed terms, to determine total amounts earned and to be recorded in deductions from revenue.

1 Accounting policies (Continued)

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

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	5-50 years
Fixtures and fittings	2-10 years
Plant and equipment	5-10 years

No depreciation is charged on Assets Under Construction

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Each year management assesses whether the estimated useful life of property, plant and equipment remain appropriate adjusting depreciation to accord with any changes in useful life

1 Accounting policies (Continued)

1.5 IFRS 16 Leases

Right-of-use assets resulting from leases are disclosed separately. A lease exists if the Company is entitled to use, for a certain periods of time, an identifiable asset over which the Company has gained control, against payment. Leases mainly relate to office space and other operating and office equipment.

At the beginning of the lease term ("provision date"), lease right-of-use assets are valued at acquisition costs, which in particular arise from the corresponding lease liabilities and lease prepayments, taking into account leasing incentives received. Depreciation is calculated on a straight-line basis.

Lease liabilities are recognised at the present value of the lease payment that have not yet been made and reported under financial liabilities. Discounting is always calculated using term-specific and currency-specific incremental borrowing rates, as the Company is unable to determine the interest rates underlying the leases on a regular basis. The lease liabilities are updated in accordance with the effective interest method. The Company reports the corresponding interest expenses in the financial result.

As a lessor, until 1 January 2019, lease accounting was carried put in accordance with the previous accounting standard, IAS 17. Accordingly, only finance leases were capitalised in the statement of Financial Position at the present value of the minimum future lease payments or the lower fair value of the leases asset and depreciated by the straight-line method over the minimum contract term, taking any existing residual value into consideration. The present value of the payment obligations associated with the minimum future lease payments were recognised as a liability. Lease payments in connection with operating lease activities were recognised immediately in the Statement of Comprehensive Income.

1.6 Intangible assets

Acquired intangible assets

Acquired brands, trademarks and licences that are controlled through custody or legal rights and that could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. All of these assets are considered to have finite lives and are amortised on a straight-line basis over their useful economic lives of 20 years for brands, and 10 years for licences.

Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour, and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

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

- Brand – 20 Years
- Software – 5 - 10 years

1 Accounting policies (Continued)

1.7 Impairment of Non-financial Assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the standard costing principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

All inventories are reduced to net realisable value where the estimated selling price is lower than cost.

Provision is made for slow moving, obsolete and defective inventory where appropriate.

1.9 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1 Accounting policies (Continued)

1.10 Financial instruments

Recognition and de-recognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI). In the periods presented the group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the groups business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

All derivative financial instruments fall into this category.

1 Accounting policies (Continued)

1.10 Financial instruments (continued)

Investments in debt and equity securities

Pursuant to IAS 27, investments in associates and subsidiaries are carried at cost less impairment in the parent company financial statements.

Impairment of financial assets

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

1 Accounting policies (Continued)

1.11 Taxation

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

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

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

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

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Employee benefits

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

1.14 Foreign exchange

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the foreign exchange rates ruling at the dates the fair values were determined.

1 Accounting policies (Continued)

1.15 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. This policy was pre IFRS 16 and majority of our operating leases are now capitalised as per IFRS 16.

Financing income and expenses

Financing income and expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in the income statement using the effective interest method, unwinding of the discount on provisions, interest expense recognised on operating leases capitalised under IFRS 16 and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

1.16 Exceptional items

Exceptional items are those significant non-recurring items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

2 Accounting estimates and judgements

The following are areas of particular significance to the Company's financial statements and include the use of estimates and the application of judgement, which is fundamental to the completion of a set of financial statements.

Intangible assets

Acquired trademarks, brands and customer relationships are considered to have finite lives of 20 years. The determination of the useful lives takes into account certain quantitative factors such as sales expectations and growth prospects, and also many qualitative factors such as heritage, and market positioning, hence the determination of useful lives are subject to estimates and judgement. For further details see note 13.

Trade Spend, Advertising and Promotion costs

Trade spend and promotional activity is dependent on market conditions and negotiations with customers. Trade spend is charged to the income statement according to the substance of the agreements with customers and the terms of any contractual relationship. For these purposes, trade spend covers all forms of customer investment, including rebates, discounts and lump sum agreements. Promotional support is generally charged to the income statement at the time of the relevant promotion. These costs are accrued on best estimates. The actual costs may not be known until subsequent years when negotiations with customers are concluded. Such adjustments are recognised in the year when the liability becomes probable.

Expenditure on advertising is charged to the income statement when incurred, except in the case of airtime costs when a particular campaign is used more than once. In this case they are charged in line with the airtime profile.

Inventory provisioning

All inventory is carried at its assessed net realisable value. This includes the value of the Company's engineering spares inventory. All engineering spares inventory which has a probable future use by the Company is valued. Where an item is no longer available on the open market, but does have a probable future use, it will be valued by the Engineering function based on the net realisable value of similar items. A provision for obsolescence is maintained to cover the risk posed by slow moving or static stock.

IFRS 16 Leases

These liabilities were measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The discounting rate applied to all leases is 3.06%.

Impairment of receivables

The risk of delinquency of trade receivables is primarily estimated based on prior experience with and the past due status of doubtful debtors. Aged debt balances are reviewed weekly and a provision is maintained for any amounts identified as a probable default risk.

3 Revenue

All of the revenue is derived from the principal activity of the Company. The Company primarily supplies the UK market, although it also supplies certain products to other European countries and a number of other countries. The table below provides an analysis of the Company's revenue which is allocated on the basis of geographical market destination.

	2020 £000	2019 £000
UK	350,023	322,650
Europe	10,683	11,106
	360,706	333,756

4 Exceptional (costs)/income

	2020 £000	2019 £000
Exceptional (costs)/income	(8,076)	20,127

During the year the Company paid net exceptional costs of £8.1m (2019: £20.1m income).

The Company incurred significant one off costs on the transaction leading to the change in ultimate shareholders to Endless LLP on 5th November 2020.

The business also incurred one off costs as it continued its change programme aimed at increasing the efficiency of its operations across all its Sites.

5 Operating profit

	2020 £000	2019 £000
Operating profit for the financial year is stated after charging/(crediting):		
Research and development costs	174	225
Depreciation of property, plant and equipment	9,126	8,458
Depreciation of right-of-use assets	8,036	6,193
Income from sub leasing property	(1,350)	(1,342)
Amortisation of intangible assets	2,893	2,733
Impairment profit recognised on trade receivables	(317)	(1,268)

6 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2020 £000	2019 £000
Fees payable to the company's auditors for the audit of the company's annual financial statements	86	78

7 Employees

The average monthly number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2020 Number	2019 Number
Manufacturing	1,486	1,498
Logistics	1,198	1,176
Sales, General and Administration	134	122
	2,818	2,796

Their aggregate remuneration comprised:

Employment costs	2020 £000	2019 £000
Wages and salaries	120,188	108,677
Social security costs	9,826	9,361
Other pension costs	5,041	4,794
	135,055	122,832

8	**Directors' remuneration**	**2020**	**2019**
		£000	**£000**
	Remuneration for qualifying services	1,361	844
	Company pension contributions to defined contribution schemes	74	56
		1,435	900

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £515,194 (2019: £385,675) and company pension contributions of £6,667 (2019: £10,000) were made to a money purchase scheme on his / her behalf.

9	**Finance (costs)/income**	**2020**	**2019**
		£000	**£000**
	Interest expense on lease liabilities	357	124
	Interest expense on other financial liabilities	870	867
	Amortisation of costs of raising finance	40	132
		1,267	1,123

	Finance income	**2020**	**2019**
		£000	**£000**
	Interest income on other financial income	1	3
		1	3

10 Tax on (loss)/profit

	2020	**2019**
	£000	**£000**
(Loss)/profit before taxation	(6,432)	11,862
Expected tax (credit)/charge based on a corporation tax rate of 19%	(1,222)	2,253
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	1,326	(1,964)
Impact of deferred tax not recognised	(104)	(110)
Prior year adjustment	(142)	-
Total adjustments	1,080	(2,074)
Tax (credit)/charge for the year	(142)	179

Deferred tax not recognised amounts to £16.7m (2019: £14.4m).

On 3 March 2021, it was substantively enacted that the main rate of UK corporation tax would remain at 19% for the tax years starting 1 April 2021 and 2022.

11 Property, plant and equipment

	Buildings	Assets under construction	Fixtures and fittings	Plant and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2020	16,731	466	8,639	65,909	91,745
Additions	513	1,222	225	6,236	8,196
Disposals	(420)	-	(2,554)	(746)	(3,720)
Reclassification	-	(427)	105	322	-
At 31 December 2020	16,824	1,261	6,415	71,721	96,221
Accumulated depreciation					
At 1 January 2020	6,034	-	7,197	29,167	42,398
Charge for the Year	339	-	389	8,398	9,126
Elimination on disposals	-	-	(2,554)	(744)	(3,298)
At 31 December 2020	6,373	-	5,032	36,821	48,226
Carrying amount					
At 31 December 2020	10,451	1,261	1,383	34,900	47,995
At 31 December 2019	10,697	466	1,442	36,742	49,347

12 Right of use assets

	Property	Cars	Vehicles	Trailers	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2020	47,424	783	13,460	1,733	63,400
Additions	6,286	430	2,014	-	8,730
Disposals	-	(116)	(241)	-	(357)
At 31 December 2020	53,710	1,097	15,233	1,733	71,773
Accumulated depreciation					
At 1 January 2020	3,642	222	2,139	190	6,193
Charge for the Year	4,165	246	3,383	243	8,036
Elimination on disposals	-	(106)	(241)	-	(347)
At 31 December 2020	7,807	362	5,281	433	13,883
Carrying amount					
At 31 December 2020	45,903	735	9,952	1,300	57,890
At 31 December 2019	43,782	561	11,321	1,543	57,207

13 Intangible assets

	Brand	Software	Total
	£000	£000	£000
Cost			
At 1 January 2020	45,596	5,448	51,044
Additions	-	331	331
Reclassification	-	-	-
At 31 December 2020	45,596	5,779	51,375
Accumulated Amortisation			
At 1 January 2020	12,598	2,862	15,460
Charge for the year	2,280	613	2,893
At 31 December 2020	14,878	3,475	18,353
Carrying amount			
At 31 December 2020	30,718	2,304	33,022
At 31 December 2019	32,998	2,586	35,584

14 Investments

	2020 £000	2019 £000
Balance at 1 January	195	22,978
Additions	-	-
Share of profit/(loss) of associate for the year (note 16)	141	(20)
Investment write-off	-	(22,763)
Balance at 31 December	336	195

15 Subsidiaries

The Company has the following investments in subsidiaries:

Details of the Company's subsidiaries at 31 December 2020 are as follows:

	Country of incorporation	Ownership	Registered number	Principal activity
Rank Hovis Milling Limited	England and Wales	100%	09352305	Dormant

Each subsidiary undertaking has the same year end as Hovis Limited.

16 Investment in associated companies

The Company has the following investment in associates:

	Country of incorporation	Ownership	Registered number	Principal activities
Bakers Basco Limited	England and Wales	20%	05713959	Trading

Bakers Basco Limited has a 31 March year end.

The following table summarises the financial information of Bakers Basco Limited as included in its December 2020 management financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. These financial statements are separate company financial statements for Bakers Basco Limited (10 Bloomsbury Way, London, England, WC1A 2SL).

	2020 £000	2019 £000
Non-current assets	10,187	10,010
Current assets	4,945	3,857
Non-current liabilities	(12,912)	(12,501)
Current liabilities	(540)	(391)
Net assets (100%)	1,680	975
Company's share of net assets	336	195
Carrying amount of interest in associate	336	195

17 Inventories

	2020 £000	2019 £000
Raw materials	5,581	5,027
Finished goods	10,495	10,291
	16,076	15,318

Included within Finished Goods are £9,156k (2019: £8,203k) of engineering spares.

Inventories recognised as an expense in the year amount to £128,314k (2019: £107,369k).

18 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	49,724	43,312
Other receivables	3,082	4,640
Amounts due from fellow group undertakings	949	419
Prepayments and accrued income	4,978	4,872
	58,733	53,243

19 Financial liabilities, loans and borrowings

	2020 £000	2019 £000
Current		
Lease liabilities	8,346	8,270
Non-current		
RCF facility	2,700	-
Lease liabilities	47,720	47,696

20 Other interest-bearing loans and borrowings - payable after one year

Terms and debt repayment schedule

	Currency	Interest rate	Year of maturity	Carrying amount 2020 £000	Carrying amount 2019 £000
RCF facility (Baking £)	GBP	8%	2025	3,000	-
Capitalised loan arrangement fees				(300)	-
Balance at 31 December				2,700	-

21 Trade and other payables – payable within one year

	2020 £000	2019 £000
Trade payables	50,266	45,671
Amounts due to fellow group undertakings	-	15,585
Corporation tax	-	179
Other taxation and social security	2,463	2,399
Other payables and accruals	22,534	16,708
	75,263	80,542

Within other payables and accruals is £7,829k (2019: £4,934k) of commercial accruals in respect of amounts due under various arrangements with customers.

22 Trade and other payables - falling due after more than one year

	2020 £000	2019 £000
Other payables and accruals	316	798

23 Retirement benefit schemes

Defined contribution schemes

The Company operates a number of defined contribution pension plans.

The total costs recognised as an expense in respect of defined contribution plans is £5,041k (2019: £4,794k).The pension creditor at year end is £857k (2019: £762k).

24 Other provisions

	Restructuring £000	Lease provision £000	Total £000
At 1 January 2020	201	1,540	1,741
Utilisation of provision	(191)	(112)	(303)
Additional provision during the year	37	-	37
At 31 December 2020	47	1,428	1,475

The lease provision relates to a lease with Premier Foods Limited which was recognised at the acquisition in 2014. It also includes the dilapidations provision for sub-letting of one of our sites which will be settled at the end of the lease in June 2022.

The additional provision in the year relates to head office restructuring costs and will be utilised in 2021.

	2020	2019
25 Called up Share capital	**£000**	**£000**
Ordinary share capital		
Allotted and fully paid		
24,126,967 (2019: 24,126,967) ordinary shares of 1p each	241	241

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

26 Share premium account

	£000
At 1 January 2020 & 31 December 2020	40,229

27 Capital commitments

The Company had capital commitments at 31 December 2020 relating to the purchase of property, plant and equipment amounting to £1,008k (2019: £446k). These commitments are expected to be settled in the following financial year.

28 Contingent liabilities

There were no material contingent liabilities at 31 December 2020 (2019: £Nil).

29 Related party transactions

Other transactions with related parties

The below transactions are for the ten months up to 5th November 2020 with Gores Group and Premier Foods Group Limited. After this date the business was sold to Endless LLP.

Hovis Limited purchases products from Premier Foods Group Limited, who owned 49% of the ordinary share capital of Hovis Limited until 5th November 2020.

Hovis Limited has been charged consultancy fees by a company within the Gores Group. A Gores Group Company, Bakers Holding (Luxemburg) Sarl, which owned 51% of the Company until 5th November 2020.

Hovis Limited has also been charged monitoring fees by both a company within the Gores Group and Premier Foods Group Limited until 5th November 2020.

The only related party transaction with Endless LLP was the interest on the RCF facility.

	Sales to		Expenses incurred from	
	2020	2019	2020	2019
	£000	£000	£000	£000
Related parties	406	518	1,989	2,321

	Receivables Outstanding		Payables Outstanding	
	2020	2019	2020	2019
	£000	£000	£000	£000
Related parties	35	159	-	38

30 Controlling party

The immediate holding company is Hovis Holdings Limited, a company incorporated in the UK, with a registered office at The Lord Rank Centre, Lincoln Road, High Wycombe, Buckinghamshire, HP12 3QS.

Hovis Holdings Limited is the parent undertaking of the smallest group to consolidate these financial statements. Copies of the Group financial statements for Hovis Holdings Limited may be obtained from Hovis Holdings Limited, The Lord Rank Centre, Lincoln Road, High Wycombe, Buckinghamshire, HP12 3QS.

Endless LLP is the ultimate controlling party.