

Company Registration No. 01328083 (England and Wales)

COMMUNITY FOODS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MARCH 2021

COMMUNITY FOODS LIMITED

COMPANY INFORMATION

Directors	Martin Rome Vince Andrew Joseph Erskine David Lewis Jamie Chambers Tracy Kane David Gray
Company number	01328083
Registered office	Community House 29-31 Eastways Witham Essex England CM8 3YQ
Auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH
Bankers	Barclays Corporate 1 Churchill Place London E14 5HP
Solicitors	Clyde & Co LLP The St Botolph Building 138 Houndsditch London EC3A 7AR

COMMUNITY FOODS LIMITED

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COMMUNITY FOODS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 27 MARCH 2021

The directors present the strategic report for the year ended 27 March 2021.

Business review

We are pleased to report a strong trading performance for the year ending 27 March 2021.

Operating profit for the year was £1,413,360 compared to £1,314,334 for the previous year.

Business activity was heavily influenced throughout by the COVID-19 pandemic. The early part of the year when the country was still in lockdown, positively impacted our retail division. Conversely, the lockdown negatively affected other parts of the business such as wholesale and ingredients where bakery clients were largely focussed on the baking of bread and many of our smaller branded clients were forced to close.

With the ending of lockdown, retail sales dropped significantly through the summer but rebounded strongly through to the end of the financial year. The ingredients division business also enjoyed a strong recovery through to year end. The management of the supply chain and manufacturing output was achieved against the backdrop of numerous challenges, most notably COVID-19 and of course Brexit. Maintaining supplies throughout was very challenging at times and with the continuing chaos in world shipping, difficulties still remain.

Throughout most of 2021, we were engaged in a competitive tendering process with our largest retail client which was successfully concluded before year end. During the next financial year, we expect to see a marked rise in our sales reflecting the new business along with necessary setting up costs.

During the next 12 months the company will continue to invest in people and capability to ensure it continues to meet our clients' expectations

In summary, despite the many challenges and unexpected costs, the directors are most satisfied with the outcome for the year.

The valuation of forward foreign exchange contracts this year saw a significant loss at year end but with hedge accounting having been introduced last year, the impact of this to the Income Statement has been minimized with the majority of this loss being seen through the Statement of Comprehensive Income and the Hedging Reserve movement.

Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of a possible downside scenario for COVID-19 in the future, despite its positive influence on these financial statements.

The directors considered the impact of the current COVID-19 environment on the business for the next 12 months, and the longer term in conjunction with new business that has been won but has still to be delivered. Whilst the situation evolves daily, making scenario planning difficult, we have considered a number of impacts on sales, profits and cash flows.

The directors have produced forecasts which suggest that the Company will continue to operate with sufficient liquidity and will meet its financial covenant obligations with its lenders.

The directors believe that the Company is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Company will have adequate resources to continue in operation for at least 12 months from the signing date of these financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

COMMUNITY FOODS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

Principal risks and uncertainties

The directors have assessed the main risks facing the company as being credit risk, liquidity and cash flow risk and an exposure to foreign exchange currency movements:

Credit risk

The company's principal financial assets are trade debtors and the recoverability of trade debtor balances represents the principal risk facing the business.

Trading account limits are set for all customers based on a combination of payment history and third party credit references in order to manage credit risk. Credit limits are reviewed by management on an ongoing basis and in conjunction with current debtor age profiling and an ongoing monitoring of debtor collection history.

Liquidity and cash flow risk

The company seeks to manage liquidity and cash flow risk by arranging sufficient working capital finance facilities which are in place to enable the company to meet foreseeable requirements.

The company's policy throughout the period had been to achieve this objective through management's day to-day involvement in business decisions.

Currency risk

The company is also exposed to translation and transaction foreign exchange risk. The company enters into forward exchange contracts with its bankers in order to protect the business against adverse currency movement in both GBP/USD and other currency pairings.

Foreign exchange differences on retranslation of these liabilities are taken to the Statement of Comprehensive Income.

COMMUNITY FOODS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

Section 172(1) Statement

The board of directors of Community Foods Limited, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the company having regard to its stakeholders in the decisions taken during the financial year ended on 27 March 2021.

Shareholders

The company's shareholders are vital to the future success of the business providing funds which aid business growth and the generation of sustainable returns.

Customers and clients

The board of directors regularly review client relationships to ensure they are acting in the best interests of the company and its stakeholders. The company continuously strives for new ways to add value to its client engagements.

Employees

The company's people, including its employees, contractors and consultants, are key to its success both individually and collaboratively as a team. The company engages with its staff through regular meetings, including formal partnership meetings, and briefings. The directors have implemented policies and procedures and provide training to ensure that staff understand their obligation to act with integrity, due skill, care and diligence as well as paying due regard to the interests of clients and the requirement to treat them fairly.

Suppliers

The directors aim to act responsibly and fairly in how the company engages with its suppliers and service providers. The company has invested significantly in IT infrastructure and considers its suppliers as important business partners to its strategic success.

Government regulators

The directors believe it is of utmost importance to behave responsibly, to operate with high standards of business conduct and lead by example. The company therefore acts in a transparent and cooperative way with all government bodies.

Community and the environment

Given the nature of the company's operations the impact of its operations on the community and environment is considered. The company has made regular donations to food banks in recent months in acknowledgement of the difficulties being faced by the community. Additionally the company has put in place many environmental improvements including cutting waste to landfill to zero, using 100% recycled cardboard in outer packaging, and are actively investigating recyclable film for primary packaging.

COMMUNITY FOODS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

Key performance indicators

Gross profit

For the year under review, a gross profit of £8,029,337 (12%) was achieved compared to 7,582,907 (12%) for the previous year due primarily to an increased volume of business.

Operating profit

For the year under review, the operating profit was £1,413,360 (2020: £1,314,334). This improvement was driven by the previously highlighted increased volume of business.

Stock

Stock is not only perishable with a defined life but ties up working capital. Turnover increased by 4% compared to a same increase of 4% in the previous year and stock has decreased from £7,487,744 in the previous year to £7,075,571 in the year under review. This was primarily due to the timing of Easter and improved stock control.

Headcount

The head count increased from an average 120 in the previous year to 131 in the current year due to the increase in activity.

Shareholders' funds

Shareholders' funds have decreased to £6,146,042 from £6,662,156 in the previous year. This is a reflection of both the performance of the business during the year and the impact of mark to market valuations of forward exchange contracts at year end which contributed a loss of £1,595,703 to this movement through the Hedging reserve.

The Board and management confidently look forward to further success in the coming year despite the challenges brought about by both Brexit and COVID-19.

On behalf of the Board

Martin Rome

Director

20 September 2021

COMMUNITY FOODS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 27 MARCH 2021

The directors present their annual report and financial statements for the year ended 27 March 2021.

Principal activities

The principal activity in the year under review continued to be that of merchanting food products for retail and manufacture.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Martin Rome
Vince Andrew
Joseph Erskine
David Lewis
Jamie Chambers
Tracy Kane
David Gray

Results and dividends

The results for the year are set out on page 12.

No ordinary dividends were paid in the year. The directors do not recommend the payment of a final dividend (2020: £nil).

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date. These provisions remain in force at the reporting date.

Auditor

Blick Rothenberg Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Streamlined energy and carbon report

In accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 the company's greenhouse gas emission and energy use are set out below:

<i>Emissions of CO2 equivalent</i>	kgCO2e
Scope 1	80,182
Scope 2	187,945
Total emissions	268,127
<i>Intensity ratio</i>	
Emission intensity per metric tonne finished goods	18.3kg
<i>Energy consumption</i>	kWh
Scope 1	251,556
Scope 2	806,150
Total energy consumption	1,057,706

COMMUNITY FOODS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

Quantification and reporting methodology

Reporting has taken into account all activities undertaken at our site in Witham, Essex, where Community has full financial control.

The reporting timescale is from April 2020 to March 2021, in line with our financial year.

All emissions data was calculated using the UK Government's Greenhouse Gas reporting conversion factors for 2020. There are no omissions from the mandatory reporting scope.

Measures taken to improve energy efficiency

This is the first year we have submitted information against the SECR requirement, and as such these numbers are being used to create a full programme of efficiency measures that will be enacted on in the 21/22 financial year.

In the meantime, the following energy efficiency actions have been put into place:

- Motion detected low energy lighting has been installed in our warehouse.
- A project to improve pallet utilization has resulted in an actual reduction of 311 full loads from the UK road networks in the 2020/21 financial year.
- Our policy around company cars has been updated to encourage the use of electric / hybrid cars. Charging points have been installed at our site to help facilitate the change-over to this technology for our staff.

Development and performance

The continued development of our manufacturing and bagging capabilities, together with increased storage facilities, has led to significant new opportunities, particularly with our retail business.

Financial Instruments

In order to manage its exposure to foreign exchange risk the company enters into foreign exchange forward contracts. Some of these have been treated as cash flow hedges.

COMMUNITY FOODS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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 UK Accounting Standards 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 show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 confirm that:

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

On behalf of the board

Martin Rome
Director

20 September 2021

COMMUNITY FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF COMMUNITY FOODS LIMITED

Opinion

We have audited the financial statements of Community Foods Limited (the 'Company') for the year ended 27 March 2021, which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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 year of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

COMMUNITY FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF COMMUNITY FOODS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

COMMUNITY FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) **TO THE MEMBER OF COMMUNITY FOODS LIMITED**

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:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise noncompliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the company's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006, taxation legislation and data protection, bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of noncompliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and noncompliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and noncompliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify noncompliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

COMMUNITY FOODS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF COMMUNITY FOODS LIMITED

Use of our report

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

Daniel Burke (Senior Statutory Auditor)

For and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants

Statutory Auditor

16 Great Queen Street

Covent Garden

London

WC2B 5AH

Date: 22 September 2021

COMMUNITY FOODS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 27 MARCH 2021

	Notes	2021 £	2020 £
Revenue	3	64,320,988	61,940,782
Cost of sales		(56,291,651)	(54,357,875)
Gross profit		8,029,337	7,582,907
Administrative expenses		(6,615,977)	(6,268,573)
Operating profit	5	1,413,360	1,314,334
(Loss)/profit on derivative financial instruments	7	(251,775)	191,495
Finance costs	8	(543,463)	(579,568)
Profit before taxation		618,122	926,261
Tax on profit	9	461,467	-
Profit for the financial year		1,079,589	926,261

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

The notes on pages 17 - 33 form part of these financial statements

COMMUNITY FOODS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 27 MARCH 2021

	2021	2020
	£	£
Profit for the year	1,079,589	926,261
Other comprehensive income		
Cash flow hedges (loss)/gain arising in the year	(1,595,703)	553,152
Total comprehensive income for the year	<u>(516,114)</u>	<u>1,479,413</u>

The notes on pages 17 - 33 form part of these financial statements

COMMUNITY FOODS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 27 MARCH 2021

	Notes	2021 £	2020 £
ASSETS			
Fixed assets			
Goodwill	10	177,948	203,374
Other intangible assets	10	94,126	39,915
		<hr/>	<hr/>
Total intangible assets		272,074	243,289
Property, plant and equipment	11	1,980,401	2,027,483
Investments	12	1,001	1,001
		<hr/>	<hr/>
		2,253,476	2,271,773
		<hr/>	<hr/>
Current assets			
Trade and other receivables falling due after one year	15	668,570	280,074
Inventories	14	7,075,571	7,487,744
Trade and other receivables falling due within one year	15	11,912,064	14,728,597
Cash at bank and in hand		1,344,942	1,417,292
		<hr/>	<hr/>
		21,001,147	23,913,707
		<hr/>	<hr/>
		23,254,623	26,185,480
		<hr/>	<hr/>
LIABILITIES AND EQUITY			
Equity			
Called up share capital	23	71,000	71,000
Capital redemption reserve	22	59,000	59,000
Hedging reserve	21	(1,042,551)	553,152
Retained earnings	24	7,058,593	5,979,004
		<hr/>	<hr/>
Total equity		6,146,042	6,662,156
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	16	4,386,520	5,996,316
Financial liabilities	16	12,367,352	13,019,527
		<hr/>	<hr/>
		16,753,872	19,015,843
		<hr/>	<hr/>
Non-current liabilities			
	17	354,709	507,481
		<hr/>	<hr/>
		23,254,623	26,185,480
		<hr/>	<hr/>

COMMUNITY FOODS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 27 MARCH 2021

The financial statements were approved by the board of directors and authorised for issue on 20 September 2021 and are signed on its behalf by:

Martin Rome

Director

Company Registration No. 01328083

The notes on pages 17 - 33 form part of these financial statements

COMMUNITY FOODS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 27 MARCH 2021

	Share capital	Hedging reserve	Capital redemption reserve	Retained earnings	Total
	£	£	£	£	£
Balance at 31 March 2019	71,000	-	59,000	5,052,743	5,182,743
Year ended 28 March 2020:					
Profit for the year	-	-	-	926,261	926,261
Other comprehensive income:					
Cash flow hedges gains	-	553,152	-	-	553,152
Total comprehensive income for the year	-	553,152	-	926,261	1,479,413
Balance at 28 March 2020	71,000	553,152	59,000	5,979,004	6,662,156
Year ended 27 March 2021:					
Profit for the year	-	-	-	1,079,589	1,079,589
Other comprehensive income:					
Cash flow hedges losses	-	(1,595,703)	-	-	(1,595,703)
Total comprehensive income for the year	-	(1,595,703)	-	1,079,589	(516,114)
Balance at 27 March 2021	71,000	(1,042,551)	59,000	7,058,593	6,146,042

The notes on pages 17 - 33 form part of these financial statements

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 27 MARCH 2021

1 Accounting policies

Company information

Community Foods Limited is a company limited by shares incorporated in England and Wales. The registered office is Community House, 29-31 Eastways, Witham, Essex, England, CM8 3YQ. The principal activity of the company is merchanting food products for retail and manufacture.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") including the adoption of the FRS 102 Triennial Review 2017 and the requirements of the Companies Act 2006.

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

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including the results of this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 Statement of Cash Flows – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 Financial Instruments – paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- Section 12 Other Financial Instruments – paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A and;
- Section 33 Related Party Disclosures – Compensation for key management personnel.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking and is included in the consolidated accounts of the ultimate parent company, Micross Foods Holdings Limited, a company incorporated in England. The consolidated financial statements of Micross Foods Holdings Limited are available from its registered office at Community House, 29-31 Eastways, Witham, Essex, England, CM8 3YQ.

1.2 Going concern

The directors have prepared detailed budgets, cashflow forecasts and covenant forecasts having considered the impact of COVID-19 and Brexit. At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months from the date of approval of these financial statements. Therefore the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

1 Accounting policies

(Continued)

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Goodwill represents the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Goodwill is amortised to the Income Statement over its remaining estimated economic life of nine years, subject to any impairment review.

Brand costs together with software and website costs included as intangible fixed assets are amortised to the Income Statement over their estimated economic life of five years, subject to any impairment review.

No impairment to the intangible assets was identified in the year.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost and subsequently measured at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings - leasehold	remaining life of the lease
Plant and machinery	10% - 25% per annum straight line
Fixtures, fittings & equipment	25% per annum straight line

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 credited or charged to the Income Statement.

1.6 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently valued at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

1 Accounting policies

(Continued)

Impairment of fixed assets (continued)

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

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

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving inventories. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Net realisable value is based on the estimated selling price.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

1 Accounting policies

(Continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are initially recognised at fair value on the date a 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 finance income as appropriate.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

1 Accounting policies

(Continued)

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Derivatives

The company enters into foreign exchange forward contracts in order to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

1.13 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

1 Accounting policies

(Continued)

Taxation (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Income Statement for the period.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Significant judgement and estimates

The following judgements (apart from those involving estimates) has had the most significant effect on amounts recognised in the financial statements.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits which requires significant judgements including profit forecast based on the promotional, competitive and economic environment.

Inventory provisions

The company estimates the net realisable value of the goods held for resale based on the condition and ageing of the goods. Management also take into consideration the current and future expected sales performance that may have an effect on the value of goods sold. An impairment provision is made where the net realisable value is estimated to be lower than the cost.

Hedge accounting

As described in note 1, the company uses foreign currency contracts to hedge its exposure to exchange rate fluctuations. The fair value gains and losses on the hedged items are recognised through the Statement of Comprehensive Income and the Hedging Reserve represents the cumulative effective fair value gains and losses on cash flow hedges.

The hedging effectiveness assessment requires judgement to determine whether an economic relationship exists between the hedge item and the hedging instrument. The prospective hedge effectiveness test is a forward-looking evaluation of whether or not the changes in the fair value or cash flows of the hedging item are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item over the term of the relationship. As such this is a key source of estimation uncertainty.

3 Revenue

Revenue analysed by geographical market

	2021 £	2020 £
United Kingdom	62,562,363	60,233,040
Rest of Europe	1,758,625	1,707,742
	<u>64,320,988</u>	<u>61,940,782</u>

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

4 Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2021 Number	2020 Number
Management and administration	21	25
Sales and handling	110	95
Total	131	120

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,306,182	3,999,394
Social security costs	442,772	423,885
Pension costs	300,319	297,597
	5,049,273	4,720,876

5 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(100,952)	34,119
Fees payable to the company's auditor for the audit of the company's financial statements	34,000	33,500
Depreciation of owned property, plant and equipment	376,564	362,167
Amortisation of intangible assets	56,205	55,401
Operating lease charges	342,308	273,057

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	864,435	927,928
Company pension contributions to defined contribution schemes	133,329	129,692
	<u>997,764</u>	<u>1,057,620</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2020 - 7).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	196,944	217,801
Company pension contributions to defined contribution schemes	17,650	17,650
	<u>214,594</u>	<u>235,451</u>

7 (Loss)/profit on derivative financial instruments

	2021 £	2020 £
(Loss)/profit on financial instruments measured at fair value through profit or loss	(251,775)	191,495
	<u>(251,775)</u>	<u>191,495</u>

8 Finance costs

	2021 £	2020 £
Interest on bank overdrafts, loans and other finance	425,881	493,525
Other finance charges	26,298	47,702
Interest payable to group undertakings	91,284	38,341
	<u>543,463</u>	<u>579,568</u>

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

9 Taxation

	2021	2020
	£	£
UK corporation tax on profits for the current year	-	-
Deferred tax		
Movement in deferred tax	(461,467)	-

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021	2020
	£	£
Profit before taxation	618,122	926,261
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	117,443	175,990
Tax effect of expenses that are not deductible in determining taxable profit	646	2,171
Tax effect of utilisation of tax losses not previously recognised	(119,018)	(130,440)
Permanent capital allowances in excess of depreciation	(9,750)	(56,980)
Amortisation on assets not qualifying for tax allowances	10,679	9,259
Deferred tax adjustments in respect of prior years	(461,467)	-
Taxation credit for the year	(461,467)	-

Factors that may affect future tax charges

In the Spring Budget 2021 on 3 March 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. This new law was substantively enacted on 24 May 2021.

As the proposal to increase the rate had not been substantively enacted at the balance sheet date, its effects on the measurement of deferred tax that had been measured at the previously enacted 19% rate, have not been included in these financial statements.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

10 Intangible fixed assets

	Goodwill £	Software £	Brand £	Website £	Total £
Cost					
At 29 March 2020	355,917	741,942	330,000	20,667	1,448,526
Additions	-	84,990	-	-	84,990
At 27 March 2021	355,917	826,932	330,000	20,667	1,533,516
Amortisation					
At 29 March 2020	152,543	702,027	330,000	20,667	1,205,237
Amortisation charged for the year	25,426	30,779	-	-	56,205
At 27 March 2021	177,969	732,806	330,000	20,667	1,261,442
Carrying amount					
At 27 March 2021	177,948	94,126	-	-	272,074
At 28 March 2020	203,374	39,915	-	-	243,289

11 Property, plant and equipment

	Land and buildings - leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 29 March 2020	1,299,087	3,231,533	834,287	5,364,907
Additions	81,130	193,426	54,926	329,482
At 27 March 2021	1,380,217	3,424,959	889,213	5,694,389
Depreciation				
At 29 March 2020	670,791	1,995,354	671,279	3,337,424
Depreciation charged in the year	66,160	236,753	73,651	376,564
At 27 March 2021	736,951	2,232,107	744,930	3,713,988
Carrying amount				
At 27 March 2021	643,266	1,192,852	144,283	1,980,401
At 28 March 2020	628,296	1,236,179	163,008	2,027,483

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

12 Fixed asset investments

	2021 £	2020 £
Shares in subsidiary undertakings	1,001	1,001

Movements in fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 29 March 2020 & 27 March 2021	1,001
Carrying amount	
At 27 March 2021	1,001
At 28 March 2020	1,001

13 Subsidiaries

Details of the company's subsidiaries at 27 March 2021 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct
Day+One Limited	England and Wales	Dormant	Ordinary	100.00
Jumble B Limited	England and Wales	Dormant	Ordinary	100.00

The registered office of the above companies is Community House, 29-31 Eastways, Witham, Essex, England, CM8 3YQ.

14 Inventories

	2021 £	2020 £
Finished goods and goods for resale	7,075,571	7,487,744

An impairment loss of £94,147 (2020: £62,639) was recognised in cost of sales against inventories during the year. There is no significant difference between the replacement cost of the stock and its carrying amount.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

15 Trade and other receivables

	2021 £	2020 £
Amounts falling due within one year:		
Trade receivables	9,797,427	11,677,259
Amounts owed by group undertakings	1,528,115	1,528,115
Derivative financial instruments	-	868,721
Other receivables	205,188	195,478
Prepayments and accrued income	279,334	292,024
	<u>11,810,064</u>	<u>14,561,597</u>
Deferred tax asset (note 20)	102,000	167,000
	<u>11,912,064</u>	<u>14,728,597</u>
	2021	2020
Amounts falling due after more than one year:	£	£
Other receivables	142,103	280,074
Deferred tax asset (note 20)	526,467	-
	<u>668,570</u>	<u>280,074</u>
Total receivables	12,580,634	15,008,671

Trade receivables disclosed above are measured at amortised cost where applicable.

16 Current liabilities

	Notes	2021 £	2020 £
Bank loans, overdrafts and other finance	18	11,323,800	12,954,732
Trade payables		3,094,649	5,221,869
Amounts owed to subsidiary undertakings		1,001	1,001
Other taxation and social security		117,060	113,238
Derivative financial instruments		1,042,551	63,794
Accruals and deferred income		1,174,811	661,209
		<u>16,753,872</u>	<u>19,015,843</u>

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

17 Non-current liabilities

	Notes	2021 £	2020 £
Amounts owed to parent undertakings	18	354,709	507,481

18 Borrowings

	2021 £	2020 £
Bank loans, overdrafts and other finance	11,323,800	12,954,732
Amounts owed to other group undertakings	354,709	507,481
	<u>11,678,509</u>	<u>13,462,213</u>
Payable within one year	11,323,800	12,954,732
Payable after one year	354,709	507,481

Bank loans, overdrafts and other finance are secured by charges over the assets of the company and the group.

The amounts payable after one year represents the amounts owed to the ultimate parent undertaking and is considered to be repayable between two to five years and interest is payable on the loan at 7.5% per annum.

19 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	300,319	297,597

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the year ended 27 March 2021 total amounts payable to the scheme included in other creditors amounted to £27,352 (2020: £19,891).

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2021 £	Assets 2020 £
Tax losses	628,467	167,000
	<u> </u>	<u> </u>
Movements in the year:		2021 £
Liability/(asset) at 29 March 2020		(167,000)
Credit to profit and loss		(461,467)
		<u> </u>
Liability/(asset) at 27 March 2021		(628,467)
		<u> </u>

The closing deferred tax asset has been calculated at 19% being the substantively enacted tax rate as at the balance sheet date, on the basis that this is the rate at which those assets are expected to unwind. Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

At 27 March 2021 a deferred tax asset of £594,417 (2020: £1,148,123) was not recognised in respect of tax losses.

21 Hedging reserve

	2021 £	2020 £
At the beginning of the year	553,152	-
Gains and losses on cash flow hedges	(1,595,703)	553,152
	<u> </u>	<u> </u>
At the end of the year	(1,042,551)	553,152
	<u> </u>	<u> </u>

The hedging reserve reflects the accumulated effective portion of changes in fair value of derivatives on foreign currency forward contracts that are designated and qualify as cash flow hedges. These amounts are recognised in other comprehensive income.

22 Capital redemption reserve

	2021 £	2020 £
At the beginning and end of the year	59,000	59,000
	<u> </u>	<u> </u>

The capital redemption reserve records the nominal value of shares repurchased by the company.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

23 Share capital

	2021 £	2020 £
Ordinary share capital		
Issued and fully paid		
71,000 Ordinary shares of £1 each	71,000	71,000

The company has one class of ordinary shares. The shareholders are entitled to receive dividends as and when declared and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

24 Retained earnings

	2021 £	2020 £
At the beginning of the year	5,979,004	5,052,743
Profit for the year	1,079,589	926,261
At the end of the year	7,058,593	5,979,004

Retained earnings comprise all current and prior years retained profits and losses less dividends paid.

25 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	500,793	427,173
Between two and five years	1,495,538	1,221,189
In over five years	5,014,977	3,895,833
	7,011,308	5,544,195

26 Capital commitments

At 27 March 2021 the company had capital commitments contracted but not provided for amounting to £116,000 (2020: £nil).

27 Contingent liabilities

At 27 March 2021 and 28 March 2020 the company had no contingent liabilities.

COMMUNITY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 27 MARCH 2021

28 Related party transactions

The company has taken advantage of the exemption available under FRS 102 chapter 33 not to disclose transactions or balances with its parent company and wholly owned subsidiaries.

The company acquired the leasehold interest of the Witham premises in 2015 on an arm's length basis from 29-31 Eastways Limited, a company registered in England and in which the director, Mr Martin Rome, has a significant interest. No lease premium was paid. Total rent paid by the company amounted to £282,548 (2020: £250,000). At 27 March 2021, £125,000 (2020: £125,000) advanced rent deposit paid by the company remained outstanding. In addition, £32,548 (2020: £25,000) was owed to 29-31 Eastways Limited in respect of monthly rent.

29 Controlling party

The immediate parent company is Community Foods (Holdings) Limited, a company registered in England and Wales. The ultimate parent company and controlling party is Micross Foods Holdings Limited, being the parent of the smallest and largest group, for which group financial statements are prepared. Copies of the consolidated financial statements of Micross Foods Holdings will be available from its registered office at Community House, 29-31 Eastways, Witham, Essex, England, CM8 3YQ. No one party has overall control of the company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.