

Company registration number 04723144 (England and Wales)

**EXTONS FOODS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2023**

**EXTONS FOODS LTD**

**COMPANY INFORMATION**

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<b>Directors</b>	R I Edwards E M Parkinson J G E Smith	(Appointed 1 April 2023)
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<b>Secretary</b>	J N Exton
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<b>Company number</b>	04723144
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<b>Registered office</b>	Units 5 & 6 Roundthorne Industrial Estate Wythenshawe Manchester M23 9GE
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<b>Auditor</b>	Afford Bond Holdings Limited 31 Wellington Road Nantwich Cheshire CW5 7ED
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# EXTONS FOODS LTD

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# EXTONS FOODS LTD

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MAY 2023**

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The directors present the strategic report for the year ended 31 May 2023.

### **Review of the business**

The directors aim to present a balanced review of the development and performance of the business during the period and of the company's position at the period end. The review is consistent with the size and non-complex nature of the business and is written in the context of the risks and uncertainties facing the company.

The company operates from its premises at Roundthorne Industrial Estate in Manchester supplying cheese throughout the UK. The directors consider the key performance indicators are those that communicate the financial performance and strength of the company as a whole, being turnover, gross profit and shareholders' funds.

The turnover increased by £32,719,528 during 2023 compared with 2022; the gross profit increased by £2,367,823.

The profit before tax was £3,265,807. After taxation and dividends, shareholders' funds have increased by £1,463,511 to £8,667,248. The results for the period and the financial position at the period end were considered satisfactory by the directors who anticipate continued growth in the foreseeable future.

### **Principal risks and uncertainties**

The main risks and uncertainties, set out below, though not an exhaustive list but which could affect company performance include:-

1. Economic conditions: The introduction of new and potential changes to existing legislation coupled with business interruption and disaster planning can impact the industry. Inflation continues to dominate the headlines and consumer confidence.
2. Supplier/customer relationships: Intense competition constantly putting margins under pressure and exposure to commodity price fluctuations can impact company performance. This risk is mitigated by the company diversifying its operation nationally.
3. Liquidity: The company finances its business using a mixture of retained profits, trade credit funding and a lending facility provided by the bank. It is considered that the company will operate within these facilities.

The business environment within the cheese industry continues to be intensely challenging. The sector is extremely competitive and margins continue to be under pressure. Market spending and changing economic patterns can easily affect the industry. With these risks and uncertainties in mind, the directors are aware that any plans for the future development of the company may be subject to unforeseen future events outside of their control. The directors believe they have managed the above risks responsibly and that they have been able to mitigate any material impact on the company's resultant financial position or profitability during the period.

On behalf of the board

E M Parkinson  
**Director**

12 December 2023

# EXTONS FOODS LTD

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MAY 2023

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The directors present their annual report and financial statements for the year ended 31 May 2023.

#### Principal activities

The principal activity of the company is the slicing and grating of cheese.

#### Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £1,025,093. The directors do not recommend payment of a final dividend.

#### Directors

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

R I Edwards  
E M Parkinson  
J G E Smith

(Appointed 1 April 2023)

#### Financial instruments

##### *Treasury operations and Financial instruments*

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

The company's principal financial instruments include bank advances, the main purpose of which is to raise finance for the company's operations. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors.

##### *Liquidity risk*

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

##### *Interest rate risk*

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The company uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

##### *Foreign currency risk*

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

##### *Credit risk*

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

# **EXTONS FOODS LTD**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2023**

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### **Statement of directors' responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

E M Parkinson  
**Director**

12 December 2023

# EXTONS FOODS LTD

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF EXTONS FOODS LTD

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#### Opinion

We have audited the financial statements of Extons Foods Ltd (the 'company') for the year ended 31 May 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 31 May 2023 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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 period 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.

#### Opinions on other matters prescribed by the Companies Act 2006

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

# EXTONS FOODS LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF EXTONS FOODS LTD

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#### **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 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, 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.

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.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Our assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur, is based on ICAEW guidance relating to reporting on irregularities, November 2020, based on ISA 700 A39-1 to A39-5. An understanding of the significance of irregularities in the context of the financial statements as a whole is required for our assessment. Whilst considering how our audit work addresses the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities from fraud are inherently more difficult to detect than those arising from error. We obtain an understanding of the entity's risk assessment process, including the risk of fraud, as part of our work on the entity's systems and controls. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The laws and regulations identified as being of significance in the context of the entity are those considered to form part of United Kingdom Generally Accepted Accounting Practice. An understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework is necessary for our assessment and requires an understanding of the entity's policies and procedures on compliance with laws and regulations, including documentation of any instances of non-compliance.



## **EXTONS FOODS LTD**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF EXTONS FOODS LTD**

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Walkthrough testing is carried out on the recorded systems notes to check that the controls operate as stated and contain sufficient levels of supervision. Segregation of duties should be commensurate with the size of the entity. Analytical procedures are used to review the client's data for unusual entries, highlighting those transactions requiring further explanations as to the reasons for such variations arising. This also includes the identification and testing of unexpected journal entries to judge their appropriateness. Evaluation of the assumptions and judgements used by management within significant accounting estimates is undertaken to assess if these indicate evidence of potential management bias occurring. Detailed testing is carried out in respect of significant transactions. An evaluation is done of the business rationale behind any amounts which appear unusual or outside the company's normal course of business. The financial statements are then reviewed with relevant disclosures tested against supporting underlying documentation, as applicable.

Matters about non-compliance with laws and regulations and fraud are communicated with the engagement team, who are assessed as having the appropriate competence and capabilities to identify any potential issues regarding non-compliance in order to conduct their work effectively on the assignment. Communication of relevant matters to all members of the audit team is necessary to ensure that they understand the particular risks specific to the entity, in order that the audit procedures are planned appropriately to mitigate against these identified risks.

#### **Audit response to risks identified**

Our audit response will depend on the risks identified but may include:

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business including reviewing accounting estimates for bias.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **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.

**Peter O'Malley ACA FCCA CTA**  
**Senior Statutory Auditor**  
**For and on behalf of Afford Bond Holdings Limited**

12 December 2023

**Chartered Accountants**  
**Statutory Auditor**

31 Wellington Road  
Nantwich  
Cheshire  
CW5 7ED

## EXTONS FOODS LTD

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2023

	Notes	2023 £	2022 £
<b>Turnover</b>	<b>3</b>	97,664,971	64,945,443
Cost of sales		(90,114,443)	(59,762,738)
<b>Gross profit</b>		<u>7,550,528</u>	<u>5,182,705</u>
Distribution costs		(198,299)	(154,530)
Administrative expenses		(3,798,752)	(2,999,852)
<b>Operating profit</b>	<b>4</b>	<u>3,553,477</u>	<u>2,028,323</u>
Interest payable and similar expenses	<b>8</b>	(287,670)	(131,576)
<b>Profit before taxation</b>		<u>3,265,807</u>	<u>1,896,747</u>
Tax on profit	<b>9</b>	(777,203)	(282,656)
<b>Profit for the financial year</b>		<u><u>2,488,604</u></u>	<u><u>1,614,091</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# EXTONS FOODS LTD

## BALANCE SHEET

AS AT 31 MAY 2023

	Notes	2023 £	£	2022 £	£
<b>Fixed assets</b>					
Tangible assets	11		3,096,455		3,137,251
<b>Current assets</b>					
Stocks	12	7,146,643		5,639,142	
Debtors	13	13,293,538		8,886,423	
Cash at bank and in hand		325		41,638	
		<u>20,440,506</u>		<u>14,567,203</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(14,378,064)</u>		<u>(10,166,441)</u>	
<b>Net current assets</b>			6,062,442		4,400,762
<b>Total assets less current liabilities</b>			<u>9,158,897</u>		<u>7,538,013</u>
<b>Provisions for liabilities</b>					
Deferred tax liability	16	491,649		334,276	
		<u>(491,649)</u>		<u>(334,276)</u>	
<b>Net assets</b>			<u>8,667,248</u>		<u>7,203,737</u>
<b>Capital and reserves</b>					
Called up share capital	18	65,000		65,000	
Capital redemption reserve		15,000		15,000	
Profit and loss reserves		8,587,248		7,123,737	
<b>Total equity</b>			<u>8,667,248</u>		<u>7,203,737</u>

The financial statements were approved by the board of directors and authorised for issue on 12 December 2023 and are signed on its behalf by:

E M Parkinson  
Director

Company Registration No. 04723144

# EXTONS FOODS LTD

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2023

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
<b>Balance at 1 June 2021</b>		65,000	15,000	5,947,794	6,027,794
<b>Year ended 31 May 2022:</b>					
Profit and total comprehensive income for the year		-	-	1,614,091	1,614,091
Dividends	10	-	-	(438,148)	(438,148)
<b>Balance at 31 May 2022</b>		65,000	15,000	7,123,737	7,203,737
<b>Year ended 31 May 2023:</b>					
Profit and total comprehensive income for the year		-	-	2,488,604	2,488,604
Dividends	10	-	-	(1,025,093)	(1,025,093)
<b>Balance at 31 May 2023</b>		65,000	15,000	8,587,248	8,667,248

# EXTONS FOODS LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2023

		2023	2022
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	2,437,992	764,247
Interest paid		(287,670)	(131,576)
Income taxes paid		(624,954)	(128,051)
<b>Net cash inflow from operating activities</b>		<u>1,525,368</u>	<u>504,620</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(538,348)	(201,299)
Repayment of loans		-	175,285
<b>Net cash used in investing activities</b>		<u>(538,348)</u>	<u>(26,014)</u>
<b>Financing activities</b>			
Dividends paid		(1,025,093)	(438,148)
<b>Net cash used in financing activities</b>		<u>(1,025,093)</u>	<u>(438,148)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(38,073)</u>	<u>40,458</u>
Cash and cash equivalents at beginning of year		38,398	(2,060)
<b>Cash and cash equivalents at end of year</b>		<u>325</u>	<u>38,398</u>
<b>Relating to:</b>			
Cash at bank and in hand		325	41,638
Bank overdrafts included in creditors payable within one year		-	(3,240)

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

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### 1 Accounting policies

#### Company information

Extons Foods Ltd is a private company limited by shares incorporated in England and Wales.

#### 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") and the requirements of the Companies Act 2006.

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 £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

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. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover 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.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the life of the lease
Plant and equipment	8.33% straight line
Fixtures and fittings	15% reducing balance
Computers	33% straight line
Motor vehicles	25% reducing balance

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 1 Accounting policies

(Continued)

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 profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

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.

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

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 1 Accounting policies

(Continued)

#### 1.8 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 balance sheet 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 debtors 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, including investments in equity instruments which are not subsidiaries, associates or joint ventures, 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, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **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.



# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments 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 creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date 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, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

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

### 1.9 Equity instruments

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

### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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.

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 1 Accounting policies

(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 profit and loss account, 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.

#### **1.11 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

#### **1.12 Retirement benefits**

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

### 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.

### 3 Turnover

	2023 £	2022 £
<b>Turnover analysed by class of business</b>		
Supply of goods and services	97,664,971	64,945,443

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 3 Turnover (Continued)

	2023 £	2022 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	96,570,013	64,114,965
Europe	1,094,958	830,478
	<u>97,664,971</u>	<u>64,945,443</u>

### 4 Operating profit

	2023 £	2022 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	579,144	516,380
	<u>579,144</u>	<u>516,380</u>

### 5 Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	17,146	15,905
	<u>17,146</u>	<u>15,905</u>

### 6 Employees

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

	2023 Number	2022 Number
Production	94	94
Administration and maintenance	23	22
Sales	3	3
Warehouse distribution	13	11
Technical	7	5
Total	<u>140</u>	<u>135</u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	4,060,409	3,114,610
Social security costs	361,137	255,967
Pension costs	123,792	104,944
	<u>4,545,338</u>	<u>3,475,521</u>

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	27,767	16,400
Company pension contributions to defined contribution schemes	48,000	48,000
	<u>75,767</u>	<u>64,400</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2022 - 2).

The directors comprise the company's key management.

### 8 Interest payable and similar expenses

	2023 £	2022 £
<b>Interest and similar charges on financial liabilities measured at amortised cost:</b>		
On bank overdrafts and loans	5,437	4,685
On invoice finance arrangements	272,213	127,313
On foreign currency transactions	10,020	(422)
	<u>287,670</u>	<u>131,576</u>

### 9 Taxation

	2023 £	2022 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	619,830	374,954
Adjustments in respect of prior periods	-	(574)
Total current tax	<u>619,830</u>	<u>374,380</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>157,373</u>	<u>(91,724)</u>
Total tax charge	<u>777,203</u>	<u>282,656</u>

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Profit before taxation	3,265,807	1,896,747
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2022: 19.00%)	653,161	360,382
Tax effect of expenses that are not deductible in determining taxable profit	363	346
Adjustments in respect of prior years	-	(574)
Permanent capital allowances in excess of depreciation	(33,903)	13,986
Other non-reversing timing differences	209	240
Deferred tax adjustments in respect of prior years	157,373	(91,724)
Taxation charge for the year	777,203	282,656

### 10 Dividends

	2023 £	2022 £
Interim paid	1,025,093	438,148

### 11 Tangible fixed assets

	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 June 2022	690,996	5,182,153	74,124	138,365	82,034	6,167,672
Additions	-	460,265	20,543	57,540	-	538,348
At 31 May 2023	690,996	5,642,418	94,667	195,905	82,034	6,706,020
<b>Depreciation and impairment</b>						
At 1 June 2022	311,381	2,507,513	30,849	123,495	57,183	3,030,421
Depreciation charged in the year	69,089	476,007	7,619	20,219	6,210	579,144
At 31 May 2023	380,470	2,983,520	38,468	143,714	63,393	3,609,565
<b>Carrying amount</b>						
At 31 May 2023	310,526	2,658,898	56,199	52,191	18,641	3,096,455
At 31 May 2022	379,615	2,674,640	43,275	14,870	24,851	3,137,251

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 12 Stocks

	2023 £	2022 £
Raw materials and consumables	7,146,643	5,639,142

### 13 Debtors

	2023 £	2022 £
<b>Amounts falling due within one year:</b>		
Trade debtors	12,787,744	8,277,275
Other debtors	353,800	206,716
Prepayments and accrued income	151,994	402,432
	13,293,538	8,886,423

### 14 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Bank loans and overdrafts	15	-	3,240
Trade creditors		10,138,886	8,904,538
Corporation tax		369,830	374,954
Other taxation and social security		94,411	95,267
Other creditors		3,088,545	390,469
Accruals and deferred income		686,392	397,973
		14,378,064	10,166,441

Other creditors include an amount of £2,484,702 (2022: £387,300) which is secured by a fixed and floating charge over all property and assets of the company.

### 15 Loans and overdrafts

	2023 £	2022 £
Bank overdrafts	-	3,240
Payable within one year	-	3,240

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 16 Deferred taxation

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

	Liabilities 2023 £	Liabilities 2022 £
<b>Balances:</b>		
Accelerated capital allowances	491,649	334,276
	<u>491,649</u>	<u>334,276</u>
<b>Movements in the year:</b>		<b>2023 £</b>
Liability at 1 June 2022		334,276
Charge to profit or loss		157,373
		<u>157,373</u>
Liability at 31 May 2023		491,649
		<u>491,649</u>

### 17 Retirement benefit schemes

	2023 £	2022 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	123,792	104,944
	<u>123,792</u>	<u>104,944</u>

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.

### 18 Share capital

	2023 Number	2022 Number	2023 £	2022 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	64,574	64,574	64,574	64,574
Ordinary A shares of £1 each	242	242	242	242
Ordinary B shares of £1 each	128	128	128	128
Ordinary C shares of £1 each	43	43	43	43
Ordinary D shares of £1 each	13	13	13	13
	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>

# EXTONS FOODS LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2023

### 19 Operating lease commitments

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:

	2023 £	2022 £
Between two and five years	920,500	1,183,500

### 20 Ultimate controlling party

The company's ultimate controlling party is E M Parkinson.

### 21 Cash generated from operations

	2023 £	2022 £
Profit for the year after tax	2,488,604	1,614,091
<b>Adjustments for:</b>		
Taxation charged	777,203	282,656
Finance costs	287,670	131,576
Depreciation and impairment of tangible fixed assets	579,144	516,380
<b>Movements in working capital:</b>		
Increase in stocks	(1,507,501)	(1,542,662)
Increase in debtors	(4,407,115)	(3,056,261)
Increase in creditors	4,219,987	2,818,467
<b>Cash generated from operations</b>	<b>2,437,992</b>	<b>764,247</b>

### 22 Analysis of changes in net funds

	1 June 2022 £	Cash flows £	31 May 2023 £
Cash at bank and in hand	41,638	(41,313)	325
Bank overdrafts	(3,240)	3,240	-
	<b>38,398</b>	<b>(38,073)</b>	<b>325</b>



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