15 June 2020

Cake Box Holdings plc

(“Cake Box”, “the Company” or “the Group”)

Full Year Results for the twelve months ended 31 March 2020

Continued progress over the year; High street stores now reopen after COVID-19 shutdown

Cake Box Holdings plc, the specialist retailer of fresh cream cakes, today announces its full year results for the twelve months ended 31 March 2020.

	Full year ended 31-Mar-20	Full year ended 31-Mar-19	Change
Revenue	£18.7m	£16.9m	+10.8%
Gross profit	£8.8m	£7.7m	+13.5%
EBITDA*	£4.3m	£4.4m	-3.0%
Pre-tax profit	£3.8m	£3.8m	-1.2%
Adjusted Pre-tax profit**	£3.8m	£4.0m	-5.0%
Cash at Bank	£3.7m	£3.1m	+19.4%
Earnings per share	7.8p	7.5p	+4.1%
Adjusted Earnings per share**	7.8p	7.9p	-1.3%
Final dividend declared	0.0p	2.4p	n/a

*** EBITDA is calculated as operating profit before depreciation**
****Calculated after adjusting for AIM Listing costs of £599k and fair value uplift of £444k (prior year only)**

Financial Highlights

- Group revenue up 10.8% to £18.7m (2019: £16.9m)
- Gross margin improved to 46.7% (2019: 45.7%)
- Adjusted pre-tax profit of £3.8m (2019: £4.0m) slightly below previous expectations
- Cash from operations of £3.8 million (2019: £3.6 million)
- Strong balance sheet with £3.7 million cash at period end (2019: £3.1 million)
- Dividend per share for the full year: 1.6 pence per share. No final dividend proposed as previously announced (interim dividend of 1.6 pence per share)

Operational highlights

- 133 franchise stores in operation as at 31 March 2020
- 20 new franchise stores added in the period (2019: 27 new franchise stores)
- As part of a trial 12 kiosk stores opened in the year in various shopping centre locations
- Successful launch of new product ranges including salted caramel and red velvet cakes
- Recruitment of four regional area managers to help support further growth
- New Bradford warehouse and distribution facility in operation

Franchisee store highlights

- Franchisee total turnover up by 19% to £36.5 million (2019: £30.7 million)
- Franchisee online sales up 25% to £5.5 million (2019: £4.4 million)
- Like-for-like[1] sales growth of 2.0% in franchise stores (2019: 6.5%)
    - Like-for-like[1] sales growth of 5.1% In the period to 8 March 2020 before COVID-19

Current trading

- As at 1 June 2020, 131 of the 133 of all stores had reopened, offering a limited menu of products
- Improving trend since stores reopened. Week commencing 1 June 2020 showed positive like-for-like growth
- 75% of stores currently trading[2] at pre COVID-19 levels[3]
- Started delivery of cakes with Uber Eats and Just Eat in May and most recently Deliveroo.
- Online sales since the period-end were up c.60% compared to the previous year period
- Pipeline of new franchise stores remains strong and confident in future prospects for the Group

[1] Like-for-like: Stores trading for at least one full financial year prior to 31 March 2020
[2] Current trading defined as average franchise store turnover for last two weeks to week ended 7 June 2020
[3] Pre Covid-19 trading levels calculated as average franchise store turnover for seven weeks prior to week ended 15 March 2020

Sukh Chamdal, Chief Executive Officer, commented:

"We're pleased to report another strong performance for the year, demonstrating the ongoing appeal of our brand and unique customer offer.

Since the outbreak of the COVID-19 pandemic, our first priority has remained the health, safety and wellbeing of our customers, colleagues, franchisees and their staff and the communities in which we operate across the country. We have worked hard to implement new ways of working that have allowed us to gradually reopen our store estate across the country.

We have a strong pipeline in place to help continue to grow the Cake Box family and are developing new, innovative ways to extend our customer reach. This includes the expanded trial of our shopping centre kiosks and supporting our Click and Collect offer that has proven very popular during lockdown. In May we also launched home delivery of our cakes via Uber Eats and Just Eat, with an encouraging initial response, and have most recently launched on Deliveroo.

Life is clearly different to the world we were living in 12 months ago. However, as we emerge into a new sense of normality, there will still be birthdays, marriages and numerous other occasions, small and large, to celebrate up and down the country, with Cake Box's growing family of dedicated franchisees committed to supporting those festivities as best they can. With a strong balance sheet, operational flexibility and a capital light business model, we remain confident in the Group's future prospects."

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Chairman's Statement

Results

The Group delivered another strong performance over the year, with revenues rising by 11% to £18.7 million. This was achieved despite a disruption in sales across our franchise stores as the COVID-19 pandemic started to impact trading during the final month of our financial calendar year in March 2020.

Notwithstanding the challenges presented by COVID-19 towards the end of the year, we have over the last few months of lockdown continued to plan how we can continue to grow the business in line with our plans, ensuring we deliver the Cake Box offering to the whole of the UK over time. During the year, we opened 20 new franchise stores, expanding our regional footprint in new locations including Harlow, Portsmouth and Cardiff, our first store in Wales. We were pleased with the number of franchise stores opened during the year given the disruption to our opening plans at the end of the year due to COVID-19. New openings like these continued to deliver good returns for our franchisees and customer satisfaction remains at high levels as well as increase our geographical reach to more customers.

COVID-19

The COVID-19 pandemic has been unprecedented in scale and impact, and we have taken swift and decisive action to protect our customers, colleagues, franchisees, and the communities in which we operate, by implementing the necessary steps to safeguard our business through the crisis, in line with UK Government guidelines.

Whilst we remain in an uncertain and difficult situation for the country, Cake Box's values have ensured that we do things in the right way. I am very grateful and proud of the efforts of all our staff in Enfield and franchisees across our store estate, who have been supporting the effort in their local communities by sending thousands of our cakes to front line workers, especially the NHS.

There remains much uncertainty about the virus and how long it will continue to impact our business, our customers, and the wider public and economy, but I am confident that we have the financial and operational resilience to withstand the various challenges, emerge from the crisis and return to serving our loyal customer base whilst continuing to pursue our growth plans.

People

Guided by our founder-led management team, a core part of our strength lies in the entrepreneurial example they set for our growing network of franchisees, many of whom are running their own businesses for the first time. Some have expanded their business to encompass multiple shops and all are working hard to serve customers in their local communities.

On behalf of the Board and shareholders, I would like to place on record my sincere thanks to all our customers, staff and franchises for their incredible enthusiasm and dedication that has made Cake Box the success it is today, but especially over the last few uncertain and difficult months. I know they will help us to get Cake Box back to growth, reaching many more customers across the UK.

Dividend

Despite the strength of our balance sheet, as previously announced the Board concluded that it was not appropriate to recommend a final dividend for FY20 with the Group's full year results. Given the support the UK Government has given to the Group during the crisis, the Board decided it would have been inappropriate to utilise cash resources for anything other than protecting the financial strength and resilience of the business.

Looking ahead

While mindful of the challenges brought about by COVID-19, we will remain focused on continuing to deliver our growth plans over the long-term, whilst adapting to the near-term issues. Our capital light business model and strong balance sheet means we are well placed to weather any ongoing disruption to normal trading conditions.

It is difficult to look too far ahead in the current circumstances, but we remain confident that the strategy that has brought us success so far will help us to do so again and I am confident that the team will adapt to the new and emerging challenges.

I am looking forward to continuing to work with the Board, our staff and the franchisee community to deliver our vision of making Cake Box accessible to all.

Neil Sachdev MBE
Non-executive Chairman

Chief Executive's Review

Overview

In our second set of full year results since the Company's IPO in 2018, I am pleased to be reporting on another strong performance over the year. These results demonstrate the ongoing appeal of the Cake Box brand and unique customer offer, combined with the financial strength of the Group and the strong cash generative nature of our business model.

We have continued to develop and expand the Cake Box brand across the UK, maintaining good trading momentum. I am equally pleased with how the business has responded to the unprecedented challenges of COVID-19, which impacted the Group towards the end of our financial year, in March 2020. The pandemic has posed difficulties across the business, and for the nation as a whole, but I am immensely proud of the way in which our staff and franchisees have responded to these challenges.

For the second year in a row, Group revenues increased at a double-digit rate, up by 11%, to £18.7m.

We also made further progress on our strategic priorities over the year, growing our franchise store estate, introducing new product lines and developing our digital marketing. In particular, we extended our geographical footprint in towns and cities in England, as well as opening our first store in Wales.

In addition, we continued to invest in the future growth of the business. This included the opening of our new warehouse and distribution centre in late 2019, which has started to deliver efficiencies since it became operational during the year. Our Coventry warehouse should be operational in the second half of the year.

Response to COVID-19

Like other businesses across the UK and around the world, managing the impact of COVID-19 has been a primary focus for the Group since the outbreak of the pandemic. Our first priority has remained the health, safety and wellbeing of our customers, colleagues, franchisees and their staff and the communities in which we operate across the country.

Following updated UK Government advice on 23 March 2020, we closed all of our franchise stores as we looked to protect our staff, franchisees and customers and also to help relieve any further pressure on our NHS.

We looked at all possible routes to support franchisees amidst the crisis, in particular, assisting them in applying for the Government's Retail, Hospitality and Leisure Grant which has and will continue to provide a significant level of support. We have also been providing franchisees with advice and assistance relating to the furloughing of staff, whilst providing flexibility in certain payment terms where appropriate. In addition, we welcomed the UK Government's announcement that our franchisees will not have to pay business rates for 12 months.

At Group level, we applied to the Government's Job Retention Scheme in relation to Head Office, Warehouse and Bakery staff in order to protect the jobs of the workforce due to the closure during the current crisis. We also took all other appropriate cost saving measures, including cutting discretionary marketing spend.

As a result of the above, noting that our franchise stores have relatively low levels of rent and overheads, we are very confident that our franchisees will be able to navigate this unprecedented period.

As the COVID-19 situation and Government guidance has evolved since the end of March, we have made careful steps to gradually re-introduce a limited service to customers, through our Click & Collect service. As announced on 11 May 2020, having reviewed our operations, consulted with our franchisees and listened to their employees and customers, we finalised new ways of working that allowed franchisees to begin to open their stores, whilst ensuring the safety of our franchisees and their employees by putting into place social distancing measures and issuing appropriate personal protective equipment (PPE) to all franchisees for their staff.

Accordingly, as at 1 June 2020, we had 131 of our 133 franchise stores open, offering a limited menu of products. Initial demand from customers has been encouraging, with 75% of stores trading at pre COVID-19 levels.

Production has now resumed across all sites, where we have also implemented new health and safety procedures and are operating with reduced staffing levels to maintain the appropriate distancing.

We will continue to keep all measures under review, prioritising the safety of all of our stakeholders.

Sales

We achieved impressive growth in franchisee total turnover during the year, which rose by 19% to £36.5m, despite the impact of COVID-19 in the final month.

We saw continued strong growth in franchisee online sales which were up 25% to £5.5 million (FY19: £4.4 million), as customers increasingly enjoy the convenience of our Click-and-Collect service. Online orders are processed centrally through the Group's website with orders fulfilled through our franchise estate.

Franchise store like-for-like sales were also strong, increasing by 5.1% up to 8 March 2020. However, the Group saw a reduction in sales across its franchise stores as the COVID-19 crisis developed during the remainder of March 2020 and resulted in total like-for-like franchise store sales growth for the full year to 31 March 2020 of 2.0% (FY19: 6.5%).

Stores

The Group opened 20 new franchise stores in the year, taking the total number of franchise stores to 133 at the year-end. New openings during the year included our first Welsh store, in Cardiff, whilst we also expanded the successful initial small trial of shopping centre kiosks to 12 locations, operated by local franchisees as an extension of their existing stores.

This maximises the efficiency of the operation and allows access to a wider customer base, with limited additional overheads and relatively low capital outlay when compared with the set-up costs of a new store. The kiosks have performed very well to date, delivering similar average weekly sales to our traditional franchise stores, driven by strong demand for ‘grab-and-go’ products like cake slices in high footfall locations.

Although there was an impact on the timing of openings as a result of COVID-19, during March 2020, the Group has a strong pipeline of new franchise store openings. Since the start of the new financial year we have opened two franchise new stores, which had been already fitted out in March.

Products

Product innovation is a core part of our strategy as new products create a real buzz with both new and existing customers, who are excited by our evolving range. Accordingly, during the year, we successfully introduced several new products to the menu. This included the launch of a new premium salted caramel fresh cream cake and red velvet cakes which have been particularly well-received by customers across our store network. These are individually and expertly decorated by our in-store designers.

Strong franchise model

Our franchise model has underpinned our success as a business to date, as we have grown to 133 franchise stores operated by 70 franchisees since opening our first shop in 2008. We believe that the focus we have on our people and our franchisees who, as owner occupiers, are driven to increase sales and offer exceptional customer service with the support of Head Office, will allow us to continue delivering resilient sales growth.

Warehouse, distribution and production facilities

Of the two additional warehouse and distribution centres that we purchased in our prior financial year, Bradford has become operational. Coventry is expected to be operational by the second half of the financial year ending March 2021, later than originally planned due to COVID-19-related delays. We have installed sponge production capability at the new sites which will enable us to reduce our existing distribution costs and provide a back up to our production facility in Enfield. This has provided us with a more streamlined production and distribution operation, reducing the delivery time to within 90 minutes for 90% of our franchise stores. In turn this has reduced our annual road miles from 602,000 to 97,000, a saving of over 80% once both sites are fully operational as well as created skilled employment opportunities in these areas. This also addresses our goals of reducing food delivery miles which helps mitigate our environmental impact.

Outlook

131 of the 133 stores have now re-opened and our production facilities continue to ramp back up to meet an increasing demand, with both operating under new guidelines to ensure the safety of all of our stakeholders. Whilst COVID-19 has inevitably impacted performance of our new financial year and will continue to, we have seen an improving sales trend, with sales in the first week of June showing positive like for like. Around 75% of our stores[1] are now trading at pre-COVID19 Levels[2]. We continue to closely monitor the market environment and our operational planning remains dynamic

We are investing further in our online and digital capabilities to ensure customers everywhere can access our products from a choice of channels that are convenient for them. This has become more important than ever amidst the current pandemic and we have seen our ‘Click and Collect’ service go from strength to strength as we look for new ways to serve our customers in line with Government guidelines. Since re-opening the majority of our stores at the end of May, online sales since the period-end were up c.60% compared to the previous year period.

In addition, in May we launched home delivery of cakes via Uber Eats and Just Eat with encouraging customer response and have very recently launched with Deliveroo.

Life is clearly different to the world we were living in 12 months ago. However, as we emerge into a new sense of normality, there will still be birthdays, marriages and numerous other occasions, small and large, to celebrate up and down the country, with Cake Box’s growing family of dedicated franchisees committed to supporting those festivities as best they can.

We remain confident that our proposition to potential new franchisees remains attractive. We have a strong pipeline in place to help continue to grow the Cake Box family and are developing new, innovative ways to work with our existing partners, including the expanded trial of our shopping centre kiosks.

With our strong balance sheet, the actions we are taking to reduce costs and our resilient business model, we remain confident in the Group's future prospects.

[1] Current trading defined as average store turnover for last two weeks to week ended 7 June 2020
[2] Pre Covid-19 trading levels calculated as average turnover for seven weeks prior to week ended 15 March 2020

Sukh Chamdal
Chief Executive Officer

Financial Review

	FY20 £m	FY19 £m
Revenue	**18.7**	**16.9**
Gross profit	8.8	7.7
Operating expenses	5.0	4.2
Underlying EBITDA*	**4.3**	**4.4**
Depreciation	0.5	0.4
Operating profit	**3.8**	**4.0**
Profit before tax	**3.8**	**3.8**
Tax	0.6	0.8
Profit for the period	3.1	3.0
Adjusted Profit for the period*	**3.1**	**3.2**

*after Exceptional AIM listing cost of £599k
and fair value uplift of £444k (prior year only)

Revenue

Reported revenue for the year to 31 March 2020 was £18.7m. Revenue increased by 11% compared to the previous financial year. This was achieved through an increase in store like-for-like sales and with the addition of 20 new stores and 12 new kiosk openings in shopping centre around the UK in new locations including Liverpool, Middlesbrough and Basildon.

Gross margin

Gross profit as a percentage of sales improved from 45.7% to 46.7% as the overall sales were weighted higher on sponge sales which has a much higher Gross Profit percentage.

Adjusted EBITDA

EBITDA fell by 3.2% to £4.3m, impacted, as expected, given that FY19 included nine months of additional plc costs (compared to 12 in this period). This led to a modest decrease in adjusted PBT to £3.8m from £4.0m in the prior year.

Balance sheet

Cake Box has a strong balance sheet with a cash balance at the year-end of £3.7m. The Group's only debt is a mortgage of £1.6m secured by its freehold properties in Enfield and Coventry. The Enfield Warehouse has been revalued at £3.9m, a £1.4m increase on its previous Net Book Value of £2.5m.

The Group operates a franchise model and therefore has a relatively low and flexible cost base. Following the cost saving measures described above in response to COVID-19, the Group had a monthly cash burn of c.£200k while its franchise stores were shut at the end of March and into April. This burn rate has receded as we have gradually reopened 131 of the 133 stores.

The Board is therefore very comfortable with the Group's cash levels and liquidity despite the closure of its franchise stores in the final month of the financial year.

Taxation

The effective rate of taxation was 16.9% (*2019: 21.0%*). This is slightly lower due to additional relief obtained in Research and Development costs.

Earnings per share (EPS)

Underlying basic and diluted earnings per share were 7.82p and 7.74 respectively (*2019: 7.51p*). The number of shares in issue was 40,000,000 and is unchanged since the Company's IPO in June 2019.

Dividend

The Board feels that it is not appropriate to recommend a final dividend for FY20 with the Group's full year results. The Board recognises the importance of income to many of the Group's shareholders and will continue to assess when it is appropriate to recommence dividend payments.

Cash position

The Group had £3.7m of cash at year end, an increase of £0.6m. At the year end, the Group has a net cash position of £2.1m which was up £1.2m from the previous year.

Trade and other receivables

The Group had £1.46m of trade and other receivables at 31 March 2020, a marginal decrease on the prior year. The majority of this balance relates to trade receivables which have decreased by 19.7% despite the increase in turnover. Trading debts relating to purchases of products remain low in comparison as credit terms have a strict seven day payment term.

Trade and other payables

The Group had £1.49m of trade and other payables at the year end, a decrease of 2.5% on the prior year. The Group actively sources cost effective suppliers without compromising on the quality of the products. Other payables are paid according to terms specified.

Pardip Dass
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Revenue	3	**18,742,175**	16,908,999
Cost of sales		**(9,978,675)**	(9,189,297)
Gross profit		**8,763,500**	7,719,702
Administrative expenses	4	**(4,971,999)**	(3,742,684)
Fair value movements	15	**-**	444,148
Other operating income	5	**8,800**	27,719
Operating profit	6	**3,800,301**	4,448,885
Exceptional items	11	**-**	(598,645)
Net finance costs	7	**(36,357)**	(41,534)
Profit before income tax		**3,763,944**	3,808,706
Income tax expense	12	**(635,349)**	(806,290)
Profit after income tax		**3,128,595**	3,002,416
Other comprehensive income for the year			
Revaluation of freehold property	14	**1,400,000**	-
Deferred tax on revaluation of freehold property	13	**(266,000)**	-
Total comprehensive income for the year		**4,262,595**	3,002,416
Earnings per share			
Basic	33	**7.82p**	7.51p
Diluted	33	**7.74p**	7.51p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Property, plant and equipment	14	7,199,549	5,047,791
Investment property	15	-	-
Trade and other receivables	18	10,000	52,861
Deferred tax asset	13	37,690	-
		7,247,239	5,100,652
Current assets			
Inventories	17	1,396,235	909,716
Trade and other receivables	18	1,453,232	1,532,487
Cash and cash equivalents		3,676,042	3,082,044
Non-current assets held for sale	16	-	649,998
		6,525,509	6,174,245
Total Assets		13,772,748	11,274,897
Equity and liabilities			
Equity			
Issued share capital	19	400,000	400,000
Capital redemption reserve	20	40	40
Share option reserve	20	198,368	-
Revaluation reserve	20	1,589,422	455,422
Retained earnings	20	7,296,507	5,767,912
Equity attributable to the owners of the Parent company		9,484,337	6,623,374
Current liabilities			
Trade and other payables	24	1,493,352	1,531,887
Short-term borrowings	22	167,754	212,183
Current tax payable		648,522	747,473
		2,309,628	2,491,543
Non-current liabilities			
Borrowings	22	1,446,288	1,937,577
Deferred tax liabilities	13	532,495	222,403
		1,978,783	2,159,980
Total Equity and Liabilities		13,772,748	11,274,897

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
Cash flows from operating activities		
Profit before income tax	**3,763,944**	3,808,706
Adjusted for:		
Depreciation	**491,630**	430,676
Profit on disposal of tangible fixed assets	**(5,608)**	(3,222)
Increase in inventories	**(486,519)**	(200,504)
Decrease/(increase) in trade and other receivables	**122,116**	(25,254)
(Decrease)/increase in trade and other payables	**(38,537)**	38,541
Net fair value gain	**-**	(444,148)
Share based payment charge	**198,368**	-
Finance income	**(17,872)**	(6,981)
Cash generated from operations	**4,027,522**	3,597,814
Finance costs	**54,229**	48,515
Taxation paid	**(727,898)**	(497,250)
Net cash generated from operating activities	**3,353,853**	3,149,079
Cash flows from investing activities		
Sale of investment properties	**650,000**	140,000
Purchases of property, plant and equipment	**(1,266,242)**	(567,154)
Purchases of assets under construction	**-**	(1,570,793)
Proceeds from sale of property, plant and equipment	**28,462**	-
Interest received	**17,872**	6,981
Net cash used in investing activities	**(569,908)**	(1,990,966)
Cash flows from financing activities		
New borrowings	**-**	870,000
Repayment of borrowings	**(535,718)**	(329,983)
Repayment of finance leases	**-**	(33,228)
Dividends paid	**(1,600,000)**	(1,040,000)
Interest paid	**(54,229)**	(48,515)
Net cash used in financing activities	**(2,189,947)**	(581,726)
Net increase in cash and cash equivalents	**593,998**	576,387
Cash and cash equivalents brought forward	**3,082,044**	2,505,657
Cash and cash equivalents carried forward	**3,676,042**	3,082,044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Attributable to the owners of the Parent Company					
	Share capital	**Capital redemption reserve**	**Share option reserve**	**Revaluation reserve**	**Retained earnings**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
At 1 April 2018	**160**	**40**	**-**	**455,422**	**4,205,336**	**4,660,958**
Total comprehensive income for the year	-	-	-	-	3,002,416	3,002,416
Share bonus issue	399,840	-		-	(399,840)	-
Dividends paid	-	-	-	-	(1,040,000)	(1,040,000)
At 31 March 2019	**400,000**	**40**	**-**	**455,422**	**5,767,912**	**6,623,374**
Profit for the year	-	-	-	-	3,128,595	3,128,595
Revaluation of freehold property	-	-	-	1,400,000	-	1,400,000
Deferred tax on revaluation of freehold property	-	-	-	(266,000)	-	(266,000)
Total comprehensive income for the year	-	-	-	1,134,000	3,128,595	4,262,595
Share based payments	-	-	198,368	-	-	198,368
Dividends paid	-	-	-	-	(1,600,000)	(1,600,000)
At 31 March 2020	**400,000**	**40**	**198,368**	**1,589,422**	**7,296,507**	**9,484,337**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Cake Box Holdings Plc is a listed company limited by shares, incorporated and domiciled in England and Wales. Its registered office is 20 – 22 Jute Lane, Enfield, Middlesex, EN3 7PJ.

The financial statements cover Cake Box Holdings Plc (‘Company’) and the entities it controlled at the end of, or during, the financial year (referred to as the ‘Group’).

The principal activity of the Group continues to be the specialist retailer of fresh cream cakes.

2. Accounting policies

2.1 Basis of preparation of financial statements

The audited financial information does not constitute statutory financial statements for the years ended 31st March 2019 and 31 March 2020 as defined in section 434 of the Companies Act 2006. The figures for the period ended 31 March 2020 have been extracted from the Group's financial statements and those for the comparative period from the historic financial information for the year ended 31 March 2019. The statutory financial statements for the years ended 31 March 2020 received an audit report which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or any statement under section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 31 March 2020 will be dispatched to the shareholders and filed with the Registrar of Companies.

The financial statements for the year ended 31 March 2020 and the historic financial information for the year ended 31 March 2019 have been prepared under the historical cost convention as modified by fair value measurement of freehold property and, in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

Sources of estimation uncertainty

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and any revision to estimates or assumptions are recognised in the period in which they are revised and in future periods affected.

Significant judgements and estimates

The material areas in which estimates, and judgements are applied are as follows:

Freehold property - Judgement

Freehold properties are held at valuation. Depreciation has not been provided as there is no difference between the carrying value and expected residual value.

One property held at valuation has been revalued by an independent valuer during the year. The directors consider that the value of the freehold property is representative of the current market value after consideration to similar properties in the surrounding area based upon extensive research at the balance sheet date. See note 14 for further information.

Share-based payment – Estimate

Share based payments have been measured using the Black-Scholes valuation model which requires a range of input factors which are estimates based on historical data, expected data, benchmarking and consideration of non-market based performance conditions. Full details of these factors are detailed in note 21.

2.2 Functional and presentation currency

The currency of the primary economic environment in which the Group operates (the functional currency) is Pound Sterling ("GBP or £") which is also the presentation currency.

2.3 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries include all entities over which the Group has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 5 to the Company's separate financial statements.

2.4 Application of New and Revised IFRS's

New and amended Standards and Interpretations applied

The following new and amended Standards and Interpretations have been issued and are effective for the current financial period of the Group:

IFRS 16 'Leases'

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) which is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

As at the date of initial application of IFRS 16, 1 April 2019, the impact of the adoption of IFRS 16 on the Group is minimal because the leases in operation fall under the definition of short-term leases and therefore an available exemption was applied.

In the current year, the Group has applied a number of other amendments to Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. This has not had any material impact on the amounts reported for the current and prior years. These include:

		Effective Date
IFRS 9	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 11	Amendments to remeasurement of previously held interest	1 January 2019
IAS 12	Amendments to income tax consequences of dividends	1 January 2019
IAS 23	Amendments to borrowing costs eligible for capitalisation	1 January 2019

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective and are not expected to have a material impact on the Group:

		Effective Date
IAS 1 & 8	Definition of material	1 January 2020
IFRS 3	Definition of a business	1 January 2020
Conceptual Framework	Amendments References to the Conceptual Framework in IFRS standards	1 January 2020

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. Whilst the Group trading has numerous components, the chief operating decision maker (CODM) is of the opinion that there is only one operating segment. This is in line with internal reporting provided to the executive directors.

2.6 Going concern

The COVID-19 pandemic has been unprecedented in scale and impact and the directors have taken swift and decisive action to protect customers, colleagues, franchisees, and the communities in which the Group operates, by implementing the necessary steps to safeguard business through the crisis, in line with UK Government guidelines.

There remains much uncertainty about the virus and how long it will continue to impact the Group, customers, and the wider public and economy but the directors are confident that the Group has the financial and operational resilience including if any lockdown restrictions are reintroduced such that no material uncertainty exists.

Based on the current working capital forecast, the Group is unlikely to need additional funds within twelve months of the date of approval of these financial statements in order to maintain its proposed work levels and to continue successfully managing its cash resources. After making enquiries and considering the assumptions upon which the forecasts have been based, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods
Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Fees
Fees receivable from the franchisee for branding, equipment, training and initial support are recognised on delivery of the equipment and rendering of the services enabling the franchisee to operate at which time the Group has performed its obligations under the franchise agreement in respect of the fees. Fees received in advance are held on the Consolidated Statement of Financial Position as deferred income.

Online sales
Online sales which include click and collect sales where the franchisee has the primary responsibility for the fulfillment of the order and the Group is collecting consideration on behalf of the franchisee as agent are not recognised as revenue of the Group. Only the net commission amount is recognised.

2.8 Current and deferred taxation

Current tax liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset, limited to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred Tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits, limited to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in the statement of comprehensive income. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax Expense
Income tax expense represents the sum of the tax currently payable and deferred tax movement for the current period. The tax currently payable is based on taxable profit for the year.

2.9 Tangible fixed assets – held at cost

Property, plant & equipment, other than investment and freehold properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following annual basis:

Plant & machinery	-	25% Straight-line method
Motor vehicles	-	25% Straight-line method
Fixtures & fittings	-	25% Straight-line method
Assets under construction	-	Not depreciated

Assets under the course of construction are carried at cost less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for the intended use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss.

2.10 Tangible fixed assets – held at valuation

Individual freehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at each Consolidated Statement of Financial Position date.

Fair values are determined by an independent valuer and updated by the directors from market-based evidence.

Revaluation gains and losses are recognised in Other Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the profit and loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

2.12 Financial instruments

Recognition of Financial Instruments
Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Trade and other receivables
Trade and other receivables are initially measured at fair value and subsequently amortised cost. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Trade and other payables
Trade and other payables are initially measured at fair value and subsequently at amortised cost. Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Sterling using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

Bank loans and overdrafts
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expenses are recognised on the basis of the effective interest method and are included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.13 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

2.16 Leases

Leases would have been recognised under IFRS16 but as the leases have less than twelve months until expiry they have been recognised on a straight line basis.

2.17 Employee benefits

Short Term Employee Benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Termination benefits

The entity recognises the expense and corresponding liability for termination benefits when it is demonstrably committed to either of the following scenarios:

a. The termination of the employment of an employee or group of employees before the normal retirement age, or
b. The provision of termination benefits in relation to an offer made to encourage voluntary redundancy.

The value of such benefit is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

2.18 Provisions and contingencies

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event; it is probable that the Group will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

2.19 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2.20 Research and development

Research and development expenditure is charged to the Consolidated Statement of Comprehensive Income in the year in which it is incurred.

2.21 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

2.22 Share based payment

Where share options are awarded to employees, the fair value of the options (measured using the Black-Scholes model) at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party or factors which are within the control of one or other of the parties. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

3. Segment reporting

Components reported to the chief operating decision maker (CODM) are not separately identifiable and as such consider there to be one reporting segment. The group makes varied sales to its customers but none are a separately identifiable component. The following information is disclosed:

	2020 £	2019 £
Sale of goods	**16,580,555**	14,121,607
Sale of services	**2,161,620**	2,787,392
	18,742,175	16,908,999

All revenue occurred in the United Kingdom.

The operating segment information is the same information as provided throughout the consolidated financial statements and are therefore not duplicated.

The Group is not reliant upon any major customer.

4. Expenses by nature

The Administrative expenses have been arrived at after charging:

	2020 £	2019 £
Wages and salaries	**2,821,761**	2,064,106
Travel and entertaining costs	**389,781**	264,992
Supplies costs	**99,254**	80,541
Professional costs	**433,513**	371,095
Depreciation costs	**491,630**	430,676
Rates and utilities costs	**291,626**	120,734
Property maintenance costs	**148,910**	116,187
Advertising costs	**231,013**	171,869
Other costs	**64,511**	122,484
	4,971,999	3,742,684

5. Other operating income

	2020 £	2019 £
Rent receivable	**8,800**	27,719
	8,800	27,719

6. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	**491,630**	430,676
Stock recognised as an expense	**9,978,675**	9,189,297
Profit on disposal of property, plant & equipment	**(5,608)**	(3,222)

Research and development charged as an expense	**254,053**	226,653
Operating lease rentals	**45,000**	45,000
AIM listing costs	**-**	598,645
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**60,000**	45,000
Fees payable to the Group's auditor and its associates for the audit of the Group's interim financial statements	**7,000**	6,000
Fees payable to the Group's auditor and its associates for non-audit services	**-**	90,000
Share based payment charge	**198,368**	-
Defined contribution pension cost	**32,780**	19,235

7. Net finance costs

	2020	2019
	£	£
Finance expenses		
Bank loan interest	**54,229**	45,833
Interest on overdue tax	**-**	2,682
Finance income		
Bank interest received	**(17,872)**	(6,981)
	36,357	41,534

8. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	**2,341,395**	1,840,896
Social security costs	**221,297**	174,848
Pension costs	**32,780**	19,235
Private health	**27,921**	29,127
Share based payment expense	**198,368**	-
	2,821,761	2,064,106

The average monthly number of employees, including directors, for the year was 81 (*2019 – 67*).

9. Dividends

	2020	2019
	£	£
Interim dividend of 1.2p per ordinary share	**-**	480,000
Final dividend of 1.4p per ordinary share proposed and paid during the year relating to the previous year's results	**-**	560,000
Interim dividend of 1.6p per ordinary share	**640,000**	-
Final dividend of 2.4p per ordinary share proposed and paid during the year relating to the previous year's results	**960,000**	-

	1,600,000	1,040,000

Since the year end the Directors have proposed no payment of a final dividend (2019 – 2.4 pence per share). Total dividends proposed in respect of a final dividend total £Nil *(2019 - £960,000)* for the year ended 31 March 2020.

10. Directors' remuneration

The Directors' remuneration is disclosed within the Directors' Remuneration Report on page 21. The Directors are considered key management personnel. Employers NIC paid on Directors' remuneration in the year was £51,970 *(2019 - £49,541).*

11. Exceptional items

	2020	2019
	£	£
AIM listing costs	**-**	598,645
	-	598,645

12. Taxation

	2020	2019
	£	£
Corporation tax		
Current tax on profits for the year	**648,521**	716,221
Adjustments in respect of previous periods	**(19,574)**	8,979
Deferred tax		
Arising from origination and reversal of temporary differences	**6,402**	81,913
Adjustments in respect of previous periods	**-**	(823)
Taxation on profit on ordinary activities	**635,349**	806,290

Factors affecting tax charge for the year

The tax assessed for the year is lower than (*2019 – higher than*) the standard rate of corporation tax in the UK of 19% (*2019 – 19%*). The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	**3,763,944**	3,808,706
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (*2019 - 19%*)	**715,149**	723,654
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**50,795**	52,294
Adjustment in research and development tax credit leading to a decrease in the tax charge	**(111,021)**	(55,983)
Deferred tax on revalued properties	**-**	78,169
Adjustments to tax charge in respect of prior periods	**(19,574)**	8,156
Total tax charge for the year	**635,349**	806,290

Factors that may affect future tax charge

There are no factors that may affect future tax charges.

13. Deferred taxation

	2020 £	2019 £
Balance brought forward	**222,403**	141,313
Charged to other comprehensive income:		
Deferred tax on revalued freehold property	**266,000**	-
Charged to profit and loss:		
Deferred tax on revalued investment properties	**(78,169)**	78,169
Accelerated capital allowances	**122,261**	3,744
Employee benefits (including share-based payments)	**(37,690)**	-
Adjustments to tax charge in respect of prior periods	**-**	(823)
Balance carried forward	**494,805**	222,403

	2020 £	2019 £
Deferred tax liabilities		
Accelerated capital allowances	**199,562**	77,301
Property revaluations (including indexation)	**332,933**	145,102
	532,495	222,403
Deferred tax assets		
Employee benefits (including share-based payments)	**(37,690)**	-
	494,805	222,403

Movements in deferred tax in direct relation to freehold property revaluation are recognised immediately against the revaluation reserve.

14. Property, plant and equipment

	Assets under construction £	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation						
At 1 April 2018	-	2,500,000	793,404	337,923	799,903	4,431,230
Additions	1,570,793	-	310,248	54,387	202,519	2,137,947
At 31 March 2019	**1,570,793**	**2,500,000**	**1,103,652**	**392,310**	**1,002,422**	**6,569,177**
Depreciation						
At 1 April 2018	-	-	468,886	118,566	503,258	1,090,710
Charge for the year	-	-	156,007	85,730	188,939	430,676
At 31 March 2019	**-**	**-**	**624,893**	**204,296**	**692,197**	**1,521,386**
Net book value						

At 31 March 2019	**1,570,793**	**2,500,000**	**478,759**	**188,014**	**310,225**	**5,047,791**

	Assets under construction £	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation						
At 1 April 2019	1,570,793	2,500,000	1,103,652	392,310	1,002,422	6,569,177
Additions	306,927	-	120,348	253,837	585,130	1,266,242
Disposals	-	-	-	(49,142)	-	(49,142)
Transfer between classes	(839,543)	724,851	(207,972)	4,025	318,639	-
Assets written off	-	-	(30,579)	-	(86,701)	(117,280)
Revaluations	-	1,400,000	-	-	-	1,400,000
At 31 March 2020	**1,038,177**	**4,624,851**	**985,449**	**601,030**	**1,819,490**	**9,068,997**
Depreciation						
At 1 April 2019	-	-	624,893	204,296	692,197	1,521,386
Charge for the year	-	-	93,359	122,321	275,950	491,630
Disposals	-	-	-	(26,288)	-	(26,288)
Transfer between classes	-	-	(39,640)	2,934	36,706	-
Assets written off	-	-	(30,579)	-	(86,701)	(117,280)
At 31 March 2020	**-**	**-**	**648,033**	**303,263**	**918,152**	**1,869,448**
Net book value						
At 31 March 2020	**1,038,177**	**4,624,851**	**337,416**	**297,767**	**910,338**	**7,199,549**

Some assets under construction became operational during the year and the valuation at the balance sheet date has been made by the directors based upon costs incurred during the construction phase.

On 31 October 2019 existing freehold property was revalued by an independent qualified valuer, in accordance with the RICS Valuation – Global Standards 2017 (the Red Book). This valuation was maintained by the directors after consideration to similar properties in the surrounding area based upon extensive research at the balance sheet date.

Previous valuations were made by the directors, on a similar basis to the above.

The fair value of freehold property is categorised as a level 1 recurring fair value measurement.

If the Freehold properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2020 **£**	2019 £
Historic cost	**2,817,188**	1,977,645
	2,817,188	1,977,645

15. Investment property

	Freehold Investment property £
Valuation	

At 1 April 2018	**342,629**
Additions	-
Disposals	(136,779)
Revaluations	444,148
Transfer to non-current assets held for sale (Note 16)	(649,998)
At 31 March 2019	**-**
Additions	**-**
At 31 March 2020	**-**

A freehold property was reclassified to an investment property in the prior year due to a change in use.

The 2019 valuation was made by the directors, on an open market value for existing use basis after comparison to similar properties in the surrounding area.

The fair value of the investment property has not been adjusted significantly for the purpose of financial reporting. The fair value of investment property is categorised as a level 3 recurring fair value measurement. The reconciliation of opening and closing fair value is the same as disclosed above.

There are no investment properties with a carrying value (*2019 - £649,998*) used in operating leases. The Group received rental income in relation to these operating leases amounting to £8,800 (*2019 - £27,719*).

16. Non-current Assets held for sale

	2020	2019
	£	£
Investment property	**-**	649,998

During the prior year, the investment property was presented as held for sale pending its disposal as part of a compulsory purchase order. The asset was subsequently disposed during the current year.

17. Inventories

	2020	2019
	£	£
Finished goods and goods for resale	**1,396,235**	909,716

Inventories are charged to cost of sales in the Consolidated Statement of Comprehensive Income.

18. Trade and other receivables

	2020	2019
	£	£
Trade receivables	**1,079,826**	1,345,105
Other receivables	**179,236**	201,037
Prepayments	**204,170**	39,206
	1,463,232	1,585,348
Non-current	**10,000**	52,861

Current	**1,453,232**	1,532,487
	1,463,232	1,585,348

The fair value of those trade and other receivables classified as financial assets at amortised cost are disclosed in the financial instruments note.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment of financial assets note.

All non-current assets are due within three years of the statement of financial position date.

19. Share capital

	2020	2019
	£	£
40,000,000 Ordinary shares of £0.01 each	**400,000**	400,000
	400,000	400,000

All shares rank equally in all respects.

20. Reserves

The following describes the nature and purpose of each reserve within equity:

Capital redemption reserve
Amounts transferred from share capital on redemption of issued shares.

Revaluation reserve
Gain/(losses) arising on the revaluation of the Group's property (other than investment property)

Retained earnings
All other net gains and losses and transactions with owners (e.g. dividends, fair value movements of investment property) not recognised elsewhere.

Share option reserve
Gains/losses arising on amounts in respect of equity-settled share options outstanding. See note 21 for more information.

21. Share Based Payments

The Group operates two equity-settled share based remuneration schemes for certain employees at management and executive director level: A United Kingdom tax authority approved scheme for senior managers and an executive director and an unapproved scheme for executive directors. The main vesting condition for senior managers is EBITDA reaching £19 million by the third anniversary of the date of the grant. The main vesting condition for the executive director is Earnings Per Share reaching a minimum of 36.41p by the third anniversary of the date of the grant on which 30% will be exercisable. This increases by 0.0963% for every penny over the minimum level. The individuals must remain employees of the Group over the 3 or 4 year period. Under the unapproved scheme, options vest on the same basis as the approved scheme for the executive director. In addition, the options will lapse 10 years after the grant date.

	2020	**2020**	2019	2019

	Weighted average exercise price (pence)	**Number**	Weighted average exercise price (pence)	Number
Outstanding as at 1 April		-		-
Granted during the year	64	688,400		-
Forfeited during the year		-		-
Exercised during the year		-		-
Lapsed during the year		-		-
Outstanding as at 31 March	64	688,400		-

The exercise price of options outstanding at 31 March 2020 ranged between 1 penny and 165 pence which represented the grant of the unapproved and approved options respectively. Their weighted average remaining contractual life of these options at the year end date was 885 days.

Of the total number of options outstanding at 31 March 2020, none had vested and were exercisable.

	2020 **£**	2019 £
Option pricing model used	Black-Scholes	N/a
Share price at date of grant (pence)	181	-
Contractual life (days)	1096 - 1461	-
Exercise price (pence)	1-165	-
Volatility	20%	-
Risk free interest rate	0.71%	-

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of share prices of similar listed entities over the recent years.

The share based payment expense of £198,368 is included in notes 6 and 8. This is calculated on the above assumptions over the relevant period and that the attrition rate is 100%.

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

22. Borrowings

	2020 **£**	2019 £
Non-current borrowings		
Bank loans	1,446,288	1,937,577
	1,446,288	1,937,577
Current borrowings		
Bank loans	167,754	212,183
	167,754	212,183

Bank loans of £1,614,042 (*2019 - £2,149,760*) are secured via fixed charges over specific properties and floating charges upon certain assets held by the Group. Interest rates of 0.5 - 2.15% above Bank of England base rate are charged on the loans. The loans are repayable in monthly instalments with final payments due between July 2024 and November 2025.

23. Leases

Operating Leases – Lessee

The Group leases a building and cars under non-cancellable operating lease agreements.

The total future value of minimum lease payments is as follows:

	2020	2019
	£	£
Land and buildings		
Not later than 1 year	**23,671**	45,000
Later than 1 year and not later than 5 years	**-**	23,671
Total	**23,671**	68,671

Operating Leases – Lessor

One leased property is sub-leased. The total future value of minimum lease payments is due as follows:

	2020	2019
	£	£
Not later than 1 year	**46,288**	50,496
Later than 1 year and not later than 5 years	**-**	46,346
Total	**46,288**	96,842

24. Trade and other payables

	2020	2019
	£	£
Trade payables	**684,767**	602,113
Other taxation and social security	**207,336**	249,497
Other payables	**142,250**	250,256
Accruals and deferred income	**458,999**	430,021
	1,493,352	1,531,887

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks related to trade and other payables is disclosed in the financial risk management and impairment of financial assets note. The Group pays its trade payables on terms and as such trade payables are not yet due at the statement of financial position dates.

Included within Other payables are amounts due to directors of £Nil (*2019 - £77,143*).

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £32,780 (*2019 - £19,235*). Contributions totaling £10,652 (*2019 - £9,201*) were payable to the fund at the statement of financial position date.

26. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Related party transactions are considered to be at arms-length.

Included within other payables are amounts due to directors of £Nil (*2019 - £77,143*).

Details of amounts paid to key management personnel which includes executive and non-executive directors are included within note 10 and the Directors Remuneration Report on page 21.

During the year the Group made sales to companies under the control of the directors. All sales were made on an arms-length basis. These are detailed as follows with director shareholding % shown in brackets:

Mr Sukh Chamdal *	**2020**		2019	
	£	**£**	£	£
	Sales	**Balance**	Sales	Balance
S & S Cakes Limited (0%)	**216,997**	-	234,337	-
Cake Box (Gravesend) Limited (0%)	**123,298**	**6,197**	129,143	6,242
Cake Box (Maidstone) Ltd (0%)	**117,869**	**9,977**	120,054	8,180
Cake Box (Strood) Limited (0%)	**116,814**	**19,060**	106,813	4,431
Cake Box (Crawley) Limited (0%)	**132,092**	**13,708**	195,017	13,541
Cake Box CT Limited (Canning Town) (0%)	**126,110**	**-**	-	-
	833,180	**48,942**	785,364	32,394

Mr Pardip Dass	**2020**		2019	
	£	**£**	£	£
	Sales	**Balance**	Sales	Balance
Eggfree Cake Box Barking Limited (30%)	**206,152**	**6,075**	215,937	-
	206,152	**6,075**	215,937	-

Dr Jaswir Singh	**2020**		2019	
	£	**£**	£	£
	Sales	**Balance**	Sales	Balance
Luton Cake Box Limited (10%)	**315,243**	**(996)**	363,569	-
Peterborough Cake Box Limited (30%)	**187,136**	**-**	190,617	-
Cream Cake Limited (30%)	**319,432**	**-**	250,039	-
MK Cakes Limited (0%)**	**185,575**	**-**	242,332	666
Bedford Cake Box Limited (0%)	**134,251**	-	138,717	-
	1,141,637	**(996)**	**1,185,274**	**666**

* 100% Owned by Mr. Chamdal’s daughter
** 100% Owned by Dr Singh’s son/daughter

27. Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Financial Assets

	Held at amortised cost	
	2020	2019
	£	£
Cash and cash equivalents	**3,676,042**	3,082,044
Trade and other receivables	**1,259,062**	1,365,853
	4,935,104	4,447,897

Financial Liabilities

	Held at amortised cost	
	2020	2019
	£	£
Trade and other payables	**1,286,016**	1,282,390
Secured borrowings	**1,614,042**	2,149,760
	2,900,058	3,432,150
Net	**2,035,046**	1,015,747

There is no significant difference between the fair value and carrying value of financial instruments.

28. Financial risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The board receives regular reports from the Finance Director through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk and impairment

Credit risk arises principally from the Group's trade and other receivables. It is the risk that the counter party fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements as the group has the power to stop supplying the customer until payment is received in full.

Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is more than 90 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Determination of credit-impaired financial assets

The Group considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year-end:

- significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- a breach of contract, including receipts being more than 240 days past due;
- it becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy

Receivables are written off by the Company when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. Receivables will also be written off when the amount is more than 300 days past due and is not covered by security over the assets of the counterparty or a guarantee.

Impairment of trade receivables

The Group calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year-end based on the aging of the receivables, historical data about default rates on the same basis. That data is adjusted if the Group determines that historical data is not reflective of expected future conditions due changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

In accordance with IFRS 9, the Group performed a year end impairment exercise to determine whether any write down in amounts receivable was required, using an expected credit loss model. The expected loss rate for receivables less than 90 days old is 0% on the basis of the group's history of bad debt write offs and above 90 days has not been considered on the basis of immateriality.
As at 31 March 2020, the total loss allowances against the Group's financial assets were immaterial and no charge to the income statement was recognised.

Liquidity risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Board receives cash flow projections on a regular basis which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Borrowings

	2020	2019
	£	£
Borrowings – Due within one year	**167,754**	212,183

Borrowings – Due between one to five years	**1,446,288**	1,937,577
	1,614,042	2,149,760

Trade and other payables

	2020	2019
	£	£
0 to 30 Days	**1,105,254**	1,266,495
30 to 60 Days	**45,509**	40,971
60 to 90 Days	**475**	(593)
90 to 120 Days	**119,278**	-
120 Days to 1 year	**15,500**	468
	1,286,016	1,307,341

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining good relationships with banks and other lending providers and by ensuring cash reserves are high enough to cover the debt. Where possible fixed terms of interest will be sought.

The Group analyses the interest rate exposure on a regular basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging. Based on the simulations performed, the impact on profit or loss and net assets of a 25 basis-point shift (being the maximum reasonable expectation of changes in interest rates) would be a change of £4,035 (*2019 - £5,374*). The gain or loss potential is then compared to the limits determined by management.

Capital risk management

The Group considers its capital to comprise its ordinary share capital and retained profits as its equity capital. In managing its capital, the Group's primary objective is to provide return for its equity shareholders through capital growth and future dividend income. The Group's policy is to seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Details of the Group's capital are disclosed in the Statement of Changes in Equity.

There have been no other significant changes to the Group's management objectives, policies and procedures in the year nor has there been any change in what the Group considers to be capital.

Currency risk

The Group is not exposed to any significant currency risk. The Group also manages its currency exposure by retaining its cash balances in Sterling.

29. Post statement of financial position events

Post year end the Group has declared no final dividends (*2019 - £960,000*).

The ongoing COVID-19 pandemic will affect the Group's operations and results thereof in the forthcoming financial year. The full effect is not known at this point though the directors have plans and adequate resources to limit the impact that the pandemic has had and uncertainties surrounding the economic recovery. Further details are disclosed in the Group Strategic Report.

30. Subsidiary undertakings

The following were subsidiary undertakings of the Company included in the Group results:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Eggfree Cake Box Ltd	United Kingdom	Ordinary	100%	Franchisor of specialist cake store
Chaz Ltd	United Kingdom	Ordinary	100%	Property rental company

The above subsidiaries have the same registered office address as Cake Box Holdings Plc.

31. Notes supporting statement of cashflows

Cash and cash equivalents for the purposes of the statement of cashflows comprise of:

	2020 £	2019 £
Cash at bank available on demand	**3,675,981**	3,081,855
Cash on hand	**61**	189
	3,676,042	3,082,044

There were no significant non-cash transactions from financing activities *(2019 – two new loans).*

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions below:

	Non-current borrowings **£**	Current borrowings **£**	**Total £**
As at 1 April 2018	1,457,377	185,594	1,642,971
Cash flows			
Repayments	(257,066)	(106,145)	(363,211)
New bank loans	792,040	77,960	870,000
Non-Cash flows:			
Non-current loans becoming current during the year	(54,774)	54,774	-
As at 31 March 2019	1,937,577	212,183	2,149,760
Cash flows			
Repayments	(349,494)	(186,224)	(535,718)
Non-Cash flows:			
Non-current loans becoming current during the year	(141,795)	141,795	-
As at 31 March 2020	**1,446,288**	**167,754**	**1,614,042**

32. Ultimate controlling party

The Group considers there is no ultimate controlling party.

33. Earnings per share

	2020	2019

	£	£
Profit after tax attributable to the owners of Cake Box Holdings Plc	**3,128,595**	3,002,416
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**40,000,000**	40,000,000
Effect of dilutive potential ordinary shares from share options	**423,485**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**40,423,485**	40,000,000
	Pence	Pence
Basic earnings per share	**7.82**	7.51
Diluted earnings per share	**7.74**	7.51
<u>Excluding exceptional AIM listing costs and fair value uplift</u>		
Basic earnings per share	**7.82**	7.90
Diluted earnings per share	**7.74**	7.90