Eggfree Cake Box®

2023

Cake Box Holdings Plc
Annual Report and Accounts

100%
Egg free cakes

Our Mission

The Cake Box journey began back in 2008 when one small store opened in the heart of East London, prompted by our founder's daughter requesting an egg free cake for her birthday. Fifteen years later, having listed on the London Stock Exchange's AIM Market in 2018 and with our 200th store opening in September 2022, our mission remains the same: to provide the UK market with delicious fresh cream celebration cakes made without eggs.
By omitting just one ingredient we can reach nearly all consumers who have dietary or religious restrictions without affecting the taste or texture of the cake. We are mindful to grow steadily and sustainably, and our pipeline of prospective franchisees is strong.

Our 'Cake Box Family'

We refer to ourselves as the Cake Box Family, and feel our success is not only due to our commitment to the brand, but extending our family circle to include our staff, franchisees, and customers.
Our franchisees continue to support their local communities with initiatives such as sponsoring youth cricket and football teams, hot food kitchens in the winter and donating cakes to help in raising funds for local causes.

Our Products

As the UK market leader in premium accessible celebration cakes and treats, we will continue to exclude egg, meat products and alcohol in all our products. We will only use the finest ingredients to ensure customers receive high-quality product every time. Our policy of having a diversified supplier base also ensures continuity and competitiveness in pricing, as well as an ethical supply chain.

Inside this report

VISIT US

For the latest news and information on our Company check out our website and stay up to date:

https://cakebox.com

Financial Highlights

We are well positioned to extend our footprint in the UK mainland

Our achievements in 2022/23

£72.1m
of retail sales

4.1%
growth in online sales

11%
growth in total store numbers

44
multiple franchisees

£1.6m
investment in our three baking and distribution facilities

Our priorities for 2023/24

1: Expanding Store Estate and Franchisee Growth

2: Focus on Operational Excellence

3: Data-driven Approach and Multi-channel Expansion

4: Strengthening Leadership and Governance

5: Commitment to Community and ESG Initiatives

Our management

- A business led by a passionate executive founder.
- New CFO appointed, bringing a wealth of experience in senior finance roles in retail and franchise businesses.
- Senior team being strengthened with new Head of IT, Marketing Director and Food Technical Manager.
- A key priority to succession plan for the senior/executive leadership team during this year, to maximise the opportunities that exist for Cake Box over the next five years.

Our operational centres

Bradford
Bakery and Northern distribution centre, serving 36 stores

Coventry
Bakery, Midlands and South West distribution centre, serving 37 stores

Enfield
Head Office, Bakery and national training centre. Production, packing, and food safety facilities were recently upgraded. South-East distribution centre, serving 132 stores.

Bulk storage facility

Our strategy

- Store estate growth:
  - Targeting underserved towns and cities in mainland Britain, to achieve our long-standing ambition of having 250 stores open in the next two to three years; new longer target set for 400 stores.
  - Shop openings – a full pipeline for both new and existing franchisees (with 47 deposits held at year end).
- Expanding our offering:
  - Online Direct To Consumers sales growth through our Group website.
  - New retail concepts such as a kiosk bolt-on proposition for existing stores.
  - Continued product range growth to meet customer demand.
  - New website which is easy to use, and ordering is easier and quicker for customers.
- An attractive franchise proposition:
  - No baking – simple retail business model, delivering ease of operation.
  - A totally cash business – no B2B accounts to manage and VAT free product.
  - Full training and ongoing support from Cake Box Head Office and regional franchise team.
  - Low start-up cost for a high street franchise, with average investment payback of 18-24 months.

1. *Like-for-like: Stores trading for at least one full financial year prior to 31 March 2023.*

Operational highlights

- 4.1% growth in online sales for the year to £13.8m (2022: £13.3m) after 41% growth last year due to Covid restrictions.
- 20 new franchise stores opened in the year (2022: 31).
- 205 franchise stores in operation as at the end of FY23 (2022: 185).
- Further expansion of our supermarket kiosk offering now with 18 supermarket kiosks (2022:15).
- Significant investment in the baking facilities at Enfield leading to improved baking yield.

Franchisee store highlights

- Like-for-like[1] sales growth of 1.0% in franchise stores in the year to 31 March 2023 (2022:12.0%).
- Franchisee total turnover up 9.6% to £72.1m (2022: £66.0m).
- 17 shops opened in new towns or cities this year.

Current trading and outlook

- The Board is optimistic about the prospects for the year and the sales performance continues to be robust, with franchise sales up 5.4% like-for-like in the last 11 weeks.
- Whilst we remain mindful of the ongoing economic challenges and trading environment, inflation is starting to soften in some areas which will support margin progression over the medium term. We continue to expand our geographic presence with our targeted store opening programme to drive future growth with a further 3 stores opened since the end of March 2023.
- We have increased our investment in marketing via our strengthened marketing team to grow brand awareness and to expand our digital and e-commerce capabilities.

Financial highlights

Measure	2023	2022	Change***
Revenue	£34.8m	2022: £33.0m	+5.6%
Gross profit	£17.2m	2022: £15.8m	+8.5%
EBITDA*	£6.7m	2022: £8.8m	-24.3%
Adjusted EBITDA**	£6.7m	2022: £8.0m	-16.9%
Pre-tax profit	£5.4m	2022: £7.7m	-28.6%
Adjusted pre-tax profits**	£5.4m	2022: £7.0m	-22.9%
Cash at Bank	£7.4m	2022: £6.6m	+11.9%
Earnings per share	10.6p	2022: 15.8p	-31.7%
Final dividend recommended	5.5p	2022: 5.1p	+7.8%

* *EBITDA is calculated as operating profit before depreciation and amortisation.*
** *Adjusted EBITDA and pre-tax profits is after adjusting for the exceptional items in the prior year.*
*** *% Change is based on amounts in the Consolidated Statement of Comprehensive Income.*

- Group revenue up 5.6% to £34.8m (2022: £33.0m), reflecting a resilient business model.
- Gross margin increased to 49.4% (2022: 48.0%), due to enhanced controls.
- Cash from operations of £6.3m (2022: £5.3m).
- Strong balance sheet with £7.4m cash at period end (2022: £6.6m).
- Final dividend per share: 5.5p per share recommended. (Interim dividend of 2.625p per share). Dividend for the full year: 8.125p per share

Chairman's Statement

We continue to expand our reach and build a resilient business

The Cake Box brand is a perfect example of how through collaboration we can remain strong through times of adversity, and we look forward to continuing to deliver value to our customers.

Neil Sachdev MBE
Non-Executive Chair

Sustainable growth

The past year has been filled with challenges for Cake Box, but we have successfully navigated through them and emerged better prepared for an exciting new chapter of growth for the business. Despite the difficult trading environment caused by the Ukraine war, inflationary pressures, an exceptionally hot summer and labour shortages, we have shown determination and continued to grow.

Our franchisees have shown great resilience, and we anticipate even greater opportunities with the return of normal lending conditions from banks supporting our existing and new franchisees. We recently celebrated the opening of our 200th Cake Box store and continue to expand our store estate. During the past year, we opened 20 new stores and six kiosks, welcoming 13 new franchisees to our Cake Box family.

Our primary goal is to enable our family of franchisees to fulfil their potential and grow their businesses. We have therefore focused on empowering our franchisees, enhancing operational standards and investing more money than ever before on marketing and brand building initiatives. We work with multiple suppliers for all our key products which has enabled us to control costs effectively despite the inflationary pressures, enabling both the Group's and our franchisees margins to be preserved. Our baking processes have been optimised for greater efficiency, and we have raised our hygiene, safety, and service standards. These efforts have positioned us well for sustainable growth next year and beyond.

Refining our strategy

We have focused on expanding the reach of the Cake Box brand and our marketing team over the last 12 months, which has enabled us to engage with our customers and franchisees in many new and effective ways. E-commerce has become integral to our growth story, and our new website will allow for customised marketing campaigns. We aim to become a fully integrated multi-channel business in the next few years and are exploring new ways to optimise our store rollout based on customer data to both improve new store performance as well as refine our property strategy.

Our Environmental, Social, and Governance (ESG) Committee continues to shape our ESG strategy, focusing on supply chain due diligence, waste reduction, and sustainability. For example, our van fleet has been updated. The new vehicles are more fuel-efficient helping improve running costs and environmental impact.

We also continue to take steps to improve the Group's governance, especially in respect of its finance and audit processes.

The Cake Box family

I extend my gratitude to our loyal customers, dedicated franchisees, and hardworking staff. We now have 166 staff at our various locations from a wide range of backgrounds, and we will persist in improving gender and minority representation at all levels. In respect of our franchisees, we provide the opportunity for people in the UK from all walks of life to start a business no matter what their background or education, enabling a real inclusive and diverse community of entrepreneurs.

This year, we continued the process of putting in place an experienced leadership team capable of fostering sustainable growth. We also acknowledge there is more to do to have a leadership team that is fit for the future. We asked Martin Blair, one of my Non-Executive colleagues, to be our Interim CFO whilst we looked for a permanent CFO. We have now handed over the baton to our new CFO, Michael Botha. Michael is an exceptionally talented individual who will bring a clear focus to what we want to achieve with Cake Box over the long term.

Our priorities for the year

Objective 1: Expanding Store Estate and Franchisee Growth

We remain committed to expanding our store estate and providing opportunities for franchisees to grow their businesses. Despite the challenging market environment, we have successfully opened 20 new stores and 6 kiosks in the past year and our goal is to continue this growth trajectory. We believe there are many more areas for us to reach and the year ahead will be about agreeing the plan to accelerate our expansion beyond our previously published target with a new stretch target of 400 stores. We will achieve this goal by supporting our franchisees and by creating an environment conducive to their success and by leveraging their experience and skills to build their Cake Box portfolios.

Objective 2: Focus on Operational Excellence

As we continue to grow our store estate, we recognise the need to continue to strengthen our operational discipline. This will underpin our ability to grow substantially and preserve both our and our franchisees' margins. We will focus on fine-tuning cost controls, securing improved supplier terms, and identifying areas for improved efficiencies. By optimising baking processes and enhancing operational standards, including hygiene, safety, and service, we will ensure that our stores and bakeries deliver the highest quality products and customer experiences.

Objective 3: Data-driven approach and multi-channel expansion

To refine our strategy and stay ahead of the competition, we will adopt a data-driven approach. We recognise the importance of e-commerce and its potential to drive growth. Our online sales have been progressing well, and we aim to become a fully integrated multi-channel business in the next few years. By leveraging data provided by our franchisees, we will target regions with limited Cake Box presence, ensuring a sophisticated and strategic store rollout that maximises growth opportunities.

Objective 4: Strengthening leadership and governance

Building a strong leadership team is crucial to fostering sustainable growth. We have made significant progress in assembling an experienced leadership team capable of driving growth. We will continue to strengthen our leadership team, focusing on succession planning to ensure a smooth transition and long-term success. Additionally, we are committed to improving governance, finance, and audit processes to uphold the highest standards and support our growth objectives.

We are also ever conscious of the need to take opportunities to further professionalise the Group, and as our minds turn to succession planning for the long term, our leadership team will continue to evolve in that regard.

Objective 5: Commitment to community and ESG initiatives

Community engagement and responsible business practices are core to our mission. We will continue to positively impact the communities we serve by supporting local initiatives and engaging in volunteer work. Our ESG Committee will play a vital role in shaping our ESG strategy, focusing on providing clear nutritional information, reducing waste, and implementing sustainable practices throughout our operations.

Moving forward together

The challenges faced in the first half of the year have been managed with resilience, and we enter the new financial year with a solid foundation. A strong balance sheet, underpinned by the highly cash generative nature of our business model, and an increased dividend is testament to this. While macro-economic challenges and unpredictable consumer spending persist, we are optimistic about the future. We are committed to ensuring Cake Box's sustainable growth, building on our improved practices and disciplined strategies.

Thank you for your continued support.

Neil Sachdev MBE
Chairman of Cake Box

25 June 2023

Our core values

Respect
For all religions, traditions, cultures, customs and lifestyles

Unity
Equality and neutrality

Playful
Fun, passion and indulgence

Sustainable
Environmentally and socially responsible

Remembering Alison Kidman

Alison Kidman joined Cake Box in 2013 and soon became the "go to" person for all staff and franchisees. The annual Franchise Summer Conference became one of the calendar highlights that were arranged and attended by Alison.

In 2017 Alison was diagnosed with breast cancer but despite a long battle Alison passed away at the St Francis Hospice on 7 October 2022. It was Alison's wish that donations be made to the St Francis Hospice. Alison will be remembered always by her Cake Box family.

"We would like to thank you for your donation of £10,000 in memory of Alison Kidman. St Francis Hospice is one of the largest adult hospices in the UK. In 2021/22 we cared for 2,153 patients both at the hospice and in their homes. With your donation we can help more people to live well in the time they have left – Thank you!"

St Francis Hospice

Chief Executive's Review

We have a robust and sustainable business model

A resilient business

Cake Box performed resiliently during the year, with revenue growth of 5.5% and franchisee total sales growth of 9.6% demonstrating the continued appeal of our products and proposition. We continued to innovate to meet the needs of our customers, improved our operational infrastructure and responded to an exceptional set of circumstances that Cake Box, like many retailers, faced in 2022.

Despite a challenging trading and economic environment, we have delivered yet another strong set of results and continue to trade robustly post period-end.

Sukh Chamdal
Chief Executive Officer

Having emerged confidently from the pandemic, we encountered the combination of rising energy prices, raw materials inflation, and increased living costs for customers – a unique cocktail of interlinked macro-economic pressures that made growth hard to come by. Alongside this, pent-up demand for holidays from the pandemic took customers away from our stores and a nine week-long heat wave over the summer created a difficult trading environment for a business such as ours.

Despite these headwinds, we were able to again grow sales and gross margins, supported by shrewd purchasing decisions. We strengthened our procurement team, to take advantage of volatility in the prices of commodities and essential products, and as a result have been able to be highly selective with any price increases. This has been supported by our renting a bulk storage facility to maintain continuity of supply. The 27,000 sq ft premises is a stone's throw from our Enfield site and has given us greater purchasing power.

As ever, we aim to improve and expand our customer offer so that more people experience Cake Box products and build a relationship with our brand. We have made great strides in that respect this year, with our franchisees selling 1.45m cakes and 2.89m slices, worth £43.2m and £10.5m respectively in FY23.

To complement this core approach, we have been exploring new ways to reach customers. Our marketing team has been working on our new website which went live in May 2023 that will provide additional functionality, a better customer experience and allow us to glean more product and customer consented data. Franchisee online sales have risen to £13.8m (FY22: £13.3m) or 20.8% of total system sales (FY22: 21.8%) and we are optimistic this figure will continue to grow on the back of the new website and increasingly sophisticated digital marketing.

Franchisees at the forefront

We were able to advance many aspects of the Cake Box business in 2023. I'm particularly pleased with the development of our roll-out programme and in spite of the difficult retail conditions we opened 20 new stores over the year, taking us to a total of 205 stores across the country. Our pipeline of potential franchisees remains strong (with 47 deposits held at year end) and there is increasing ambition amongst existing franchisees, with many looking to expand their portfolios and own multiple sites where they can demonstrate their business acumen.

Franchisees remain at the heart of our business – when they win, we win – and we are there to support them every step of the way. We now have three regional area sales and support managers who help franchisees develop their business, as well as four compliance officers who audit stores on average once every six weeks. These are under the leadership of a Field Operations Manager who reports to the Head of Franchise Operations.

Refreshing our offer

Our Research & Development team are constantly expanding our product range, to keep it current and on-trend. For the 2023 summer season, we look forward to promoting our variety of mango products – mango cake, cheesecake, slices, cupcakes, and sundaes have all been introduced to our stores. Recent upgrades to improve processes at our facilities give us much more scope to explore exciting new recipes and products, and to expand our gifting and treat product ranges as well as our celebration cakes. We are confident that they will delight our customers. Our new cheesecake line, with its capacity to produce products in an array of flavours, is also now fully operational.

The right ingredients for growth

This year has shown, more than most, just how much of Cake Box's success relies on the collective endeavours of the whole Cake Box Family. We are fortunate to have such dedicated staff, and a motivated supplier base which helped us meet the many challenges we have had to confront in the past 12 months. I would also like to thank Martin Blair for stepping up as Interim CFO this past year, whilst we waited for our new permanent CFO, Michael Botha, to complete his notice period prior to joining the team.

My main take-away from the year was a feeling of making meaningful progress across the business in difficult circumstances. The market outlook is improving, our capabilities have been expanded, and the Cake Box brand is stronger than ever. We have the right platform in place for the Group's development to accelerate over the coming year and beyond.

Sukh Chamdal
Chief Executive Officer

25 June 2023

Our journey continues

2023
200th store opened in Sneinton Nottingham

2022
27,000 sq ft bulk storage warehouse and upgraded cheesecake in Enfield

2021
Celebrating 150 opened stores and Coventry bakery opening

2022
Bradford bakery opening

2019

2018
Celebrating 100 opened stores and listed on the London Stock Exchange

2017
First Cake Box opened in Scotland and Automated cheesecake line installed at Enfield

2016
Celebrating 50 opened stores

2015
Purchase of current 40,000 sq ft site in Enfield

2014
Weekly Group sales exceed £200k

2013
5,000 sq ft baking and warehousing facility acquired to support up to 35 stores

2012
Celebrating 15 opened stores

2011
First store outside of London opened in Leicester, delivering record sales

2010
Walthamstow bakery (Rear of store)

2009
First Cake Box franchise store opened

2008
Cake Box is born

Financial Review

Another year of growth despite economic pressures

Another year of growth in revenues and shops, with an increased number of franchisees.

Michael Botha
Chief Financial Officer

	FY23 £m	As restated FY22 £m
Revenue	**34.8**	33.0
Gross profit	**17.2**	15.8
Operating expenses before exceptional items	**(11.6)**	(8.8)
Exceptional Items	**–**	0.8
Operating profit	**5.6**	7.8
Finance Cost	**(0.2)**	(0.1)
Profit before tax	**5.4**	7.7
Adjusted Profit before tax	**5.4**	6.9*
Tax	**(1.2)**	(1.4)
Profit for the period	**4.2**	6.3
Adjusted Profit for the period*	**4.2**	5.5
Revaluation of freehold property	**0.2**	1.2
Deferred tax on revaluation	**–**	(0.2)
Total Comprehensive income for the year	**4.4**	7.3
EBITDA	**6.7**	8.8
Adjusted EBITDA*	**6.7**	8.0

* *Calculated after adjusting for exceptional items in 2022 see Note 10.*

Revenue

Reported revenue for the year FY23 was £34.8m. Whilst below our prior expectations, still amounted to an increase of 5.6% year on year despite the challenging economic and consumer environment. This was achieved through an increase in store like-for-like sales and with the addition of 20 new stores around the UK in new locations including Rugby, Aylesbury, Bristol, Camberley and Leeds.

Gross margin

Gross profit as a percentage of sales increased from 48.0% to 49.4%, despite significant rises in raw materials and freight costs in the first half of the year. As the year progressed, input prices stabilised and we were able to pass on some price rises to franchisees who in turn were able to raise sales prices to customers albeit at a lower rate than the food retail sector without having a significant impact on volumes.

EBITDA

EBITDA decreased by 24.3% to £6.7m as a result of a planned increase in overheads and lower than anticipated revenue growth during the year. Adjusted EBITDA was 16.9% below prior year.

Balance sheet

Cake Box has a strong balance sheet with a cash balance at the year-end of £7.4m (FY22: £6.6m). The Group's only debts are mortgages of £1.3m (FY22: £1.4m) secured by its freehold properties in Enfield, Bradford and Coventry.

The Group operates a franchise model and therefore has a relatively low and flexible cost base. The Board is therefore very comfortable with the Group's cash levels and liquidity despite the unprecedented events of the last three years.

Property

Our three main sites at Enfield, Bradford and Coventry are all freehold. At year end, we instructed surveyors to value all three properties in order to have a consistent value base. This resulted in a revaluation gain in respect of our properties of £0.2m compared to the previous revaluation in 2022 (FY22: £2.5m which was apportioned between FY22 and FY21 in the accounts).

Last year, we also took a lease on a 27,000 sq. ft warehouse in Enfield to support our business expansion. This warehouse has allowed us to remodel our Enfield depot into a state-of-the-art facility, with bulk stock stored in the new warehouse and then distributed to our other depots. Having stock all in one place allows us to control stock more efficiently.

Taxation

The effective rate of taxation was 22.2% (FY22: 18.4%). This includes the relief obtained via the super deduction claim, which is a temporary increase by HMRC to capital allowances for capital expenditure of 130% compared to the normal rate of 100%, as well as other corporation tax timing differences on capital assets. The effective tax rate is higher than the statutory rate due to the impact of tax rate increases caused by deferred tax.

Earnings per share (EPS)

Earnings per share were 10.59p (FY22: 15.78p). A decrease of 31.7% reflecting the decrease in profitability of the Group year on year. The number of shares in issue was 40,000,000 and is unchanged since the Company's IPO in June 2018.

Dividend

In line with our progressive dividend policy, having performed resiliently and increased our cash generation, the Board is pleased to recommend a final dividend of 5.5p per share (FY22: 5.1p), bringing the total dividend for the year to 8.125p per share (FY22: 7.6p).

If approved by the shareholders at the Company's AGM on 22 August 2023, the final dividend of 5.5p per share will be paid on 29 August 2023. The record date for shareholders on the register will be 28 July 2023, with an ex-dividend date of 27 July 2023.

As previously stated, the Company intends that the total dividend for each year will split into one third for the first six months of the year to two thirds for the year end.

£34.8m
Reported revenue for the year FY23.

49.4%
Gross profit as a percentage of sales increased.

£7.4m
of cash at year end.

Cash position

The Group had £7.4m of cash at year end, an increase of £0.8m. At the year end, the Group had a net cash position of £6.1m which was up £0.9m from the previous year. Net cash is calculated as £7.4m of cash, less £1.3m of mortgage debt relating to the Group's freehold properties.

Trade and other receivables

The Group had £2.7m of trade and other receivables at the end of FY23, compared to £2.6m at the end of FY22. The majority of this balance relates to trade receivables which have remained at £1.7m (FY22: £2.0m), showing good credit control given the increase in revenue. Trading debts relating to purchases of products by franchisees have a defined seven-day payment term.

Trade and other payables

The Group had £3.8m of trade and other payables at the year end, an increase of £1.1m 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.

Michael Botha
Chief Financial Officer

25 June 2023

Environmental, Social and Governance Report

We continue to develop our plans to meet our ESG targets

Since the opening of our first store in 2008 in East London, Cake Box has been built on strong values and a desire to positively impact the communities we serve. Launched in 2020, our Environmental, Social and Governance (ESG) strategy underpins this approach and is built around three pillars: our Products, our People, and our Planet.

In 2021, we established an ESG Committee to shape and deliver our ESG activities. Chaired by Non-Executive Director Alison Green, the Committee is supported by all departments across the business. It meets monthly to enable the rapid progress of our sustainability priorities.

Our products

Our success is built on an unwavering commitment to quality and taste, providing our customers with the best products made with the finest ingredients. We are committed to working with our national and international suppliers to protect the rights of workers across the value chain.

Labour standards in our supply chain

We are committed to protecting labour and human rights across our supply chain. We have a **Supplier Code of Conduct** which outlines what we expect from our contractors, suppliers, franchisees and other business partners. The Supplier Code is based on the **Ethical Trading Initiative (ETI)** base code, an internationally recognised code of labour practice founded on the conventions of the International Labour Organisation (ILO).

This year, we voluntarily disclosed our first **Modern Slavery Statement** and we bolstered our ethical due diligence processes. We now require all suppliers to complete self-assessment questionnaires, allowing us to better understand their business and prioritise those suppliers that require the most attention. We worked with sustainability consultants at Carnstone & Partners PLC to analyse ethical risks in our value chain and identify high-risk suppliers. We implemented new processes to ensure all high and medium-risk suppliers are independently audited every two years. As of 31 March, over 90% of them complied with this requirement and we are committed to achieving 100% compliance by the end of FY24.

As part of our commitment, we also partnered with **Stronger Together**, a UK specialist not-for-profit, to ensure our team receive adequate training on human trafficking and modern slavery. In the summer of 2022, Stronger Together delivered a one-day training to key members of staff across human resources, procurement, and franchise management. Carnstone & Partners PLC also delivered a refresher training on modern slavery to our Board of Directors.

> **"Over 90% of high- and medium-risk suppliers have completed a recognised ethical audit in the past two years."**

Product information

We want our customers to enjoy healthy lives. In line with the Calorie Labelling (Out of Home Sector) (England) Regulations 2021, we are offering transparent nutritional information to our customers. To support them in maintaining a balanced diet whilst enjoying our cakes as a treat, the calorie content is labelled on all our products displayed in store fridges and is also available to customers purchasing online. In the future, we will research low-sugar options for our customers, developing new recipes without compromising on taste.

Food safety

Food safety is paramount for Cake Box and something we will never compromise on. Every day, we work with our staff, franchisees, and suppliers to maintain high food safety standards. We have training programmes in place to meet a minimum Food Hygiene Rating across all our franchises. As of 31 March 2023, 95% of them rated 4 and above, with an average score of 4.8. We work closely with the few franchisees that do not meet this threshold, immediately putting corrective action plans in place before asking the appropriate council to carry out a re-rating.

This year, we worked towards achieving the British Retail Consortium (BRC) Standard for food safety. This independent accreditation will give us confidence that we align with best practices on food safety standards both in our operations and our supply chain. As part of our commitment, we implemented new food safety and quality management systems, and we redesigned the Enfield bakery with upgraded equipment and a new high-care area dedicated to cheesecake production. Our goal is to achieve the BRC Standard by the end of 2023.

Sustainable ingredients

We are committed to sourcing the best ingredients for our customers and, in doing so, supporting supply chain workers and reducing our impact on the planet. We are opting for local, organic, or fair-trade ingredients whenever we can do so within budget and without compromising the taste of our egg-free recipe. The COVID-19 pandemic and the costs of the living crisis continue to disrupt supply chains globally. However, we maintain our commitment to sourcing high-quality ingredients. Our key suppliers continue to provide us with products that exclusively contain Fairtrade cocoa and RSPO-certified sustainable palm oil.

Our supply chain

Far East
Packaging

UK/Europe
Ingredients, flour etc.

Turkey
Packaging

Enfield Warehouse

Bradford
Distribution & Bakery

Enfield
Distribution & Bakery

Coventry
Distribution & Bakery

UK wide franchise Eggfree Cake Box stores

Collections from stores

Delivery platforms

Home delivery

Our planet

In the past two years, we worked towards measuring the environmental impact of our operations, implementing processes to collect energy and water data across our sites and offices. For the first time, this year we are voluntarily disclosing our scope 1 (directly controlled by the Group) and scope 2 (indirect through utilities) emissions.

We are proud to report a year-on-year decrease of 93% in our scope 2 market-based emissions, driven by sourcing 83% of our electricity from renewable energy. In the past two years, we switched the electricity supply of our Enfield and Bradford sites[1] to green tariffs[2]. We also continuously explore energy-efficient equipment, having already transitioned all our operations to LED lighting.

We are aware that our vehicle fleet produces the majority of our scope 1 and 2 emissions. We have not yet found electric vans that meet our operational requirements, but we will continue reviewing the low-carbon options available on the market. We will phase out all diesel and petrol cars by 2030, in support of the UK Government's Net Zero Strategy.

We are also committed to sending zero waste to landfill. This year, we started working with our waste management providers to establish a baseline and measure our recycling rates. We are also tackling plastic packaging, with 98% of our retail packaging in FY23 being made of materials that are widely recyclable in the UK. We have started replacing plastic carrier bags in our franchise shops with 100% recyclable and compostable options. We will complete this transition by the end of FY24.

1. We entered renewable energy contracts in Bradford on 1 July 2021 and in Enfield on 8 April 2022.
2. All our renewable contracts come with a Renewable Energy Guarantees of Origin (REGO) certificate.

93%
we are proud to report a year-on-year decrease in our scope 1 and scope 2 market-based emissions

83%
driven by sourcing 83% of our electricity from renewable energy

Our ESG data

Our ESG Data	2022/23	2021/22
% of high and medium-risk suppliers that completed an ethical audit in the two past years	90%	N/A
% of colleagues who recommend Cake Box as a great place to work	93%	85%
Employee accidents	27	28
Employee reportable incidents	2	2
% of franchise shops rated 4 or 5 out of 5 for Food Hygiene[1]	95%	95%

1. This does not include the franchise shops awaiting inspection, shops falling under the Scotland Food Hygiene Information Scheme, or that closed during the reporting period.

Environmental KPIs, including Streamlined Energy and Carbon Report (SECR) data[1]	2022/23[2]	2021/22[3]
Total energy consumption (kWh)	3,789,711	3,158,776
Absolute direct GHG emissions (scope 1) – (tCO_2e)	671	546
Absolute indirect GHG emissions (scope 2, location-based) – (tCO_2e)	134	132
Absolute GHG emissions – direct and indirect: location-based (tCO_2e)	806	678
Absolute indirect GHG emissions (scope 2, market-based) – (tCO_2e)	11	145
Absolute GHG emissions – direct and indirect: market-based (tCO_2e)	682	692
Absolute GHG emissions intensity per revenues (tCO_2e/revenues – location-based)	23	21
% of renewable electricity	83%	34%

1. Emissions are calculated using the GHG Protocol Corporate Accounting and Reporting Standard. Consumption data has been converted to GHG emissions using 2021 and 2022 Defra emissions factors. Emissions reported above are calculated using the location-based method, using an operational control boundary.
2. Data coverage for energy consumption (kWh) is 94% for the financial year 2022/23.
3. Data coverage for energy consumption (kWh) is 86% for the financial year 2021/22.

"2022 was an important year for Cake Box's ESG Committee. We bolstered our supply chain due diligence, working to ensure suppliers meet our ethical standards. For the first time, we are reporting the carbon footprint of our operations. We have taken steps in decarbonising our operations by sourcing 83% of our electricity from renewable energy."

Alison Green
Chair of the ESG Committee

Environmental, Social & Governance Report *continued*

Our people

Our people are our best asset, and we take care of them. We want our colleagues to feel happy and fulfilled at work. We are proud to say that 93% of our staff would recommend Cake Box as a great place to work – up from 85% in FY21/22.

Health and Safety

Health and Safety (H&S) is a non-negotiable for Cake Box. Every colleague receives mandatory H&S training when they join us. Our H&S Committee, made up of staff representatives, meets every quarter. We are always looking for new channels to communicate with our staff on our safety procedures – including visual aids, toolbox talks, refresher training, and our employee newsletter and posters. We also seek feedback in various ways – including our annual employee survey, suggestion boxes in warehouses and monthly drop-in clinics.

Wellbeing

It is not enough to keep our colleagues safe. We also want them to feel happy at work. We understand the importance of good employment conditions and, as of 31 March 2023, 100% of our colleagues had a permanent contract with fixed hours.

This year, we wanted to increase conversations around mental health and well-being in our business. We trained seven colleagues to become Mental Health First Aiders and to act as the first point of contact for people with mental health issues at our different sites.

The end of 2022 was challenging for many families who struggled to pay their bills amidst surging inflation.

We ran an internal campaign to support our people with the rising costs of living. We advertised Cake Box resources available to all our staff, including access to private health insurance and a 24/7 support helpline. We organised talks on financial management and signposted to external support services, such as the National Debt helpline. We also offered zero-interest company loans for any colleague suffering hardship.

"93% of our colleagues would recommend Cake Box as a great place to work."

Learning and development

In our 2021/22 Employee Survey, we learned that our colleagues expected more support from their line managers on individual performance and progression. As a result of this feedback, this year we invested extra resources towards employee and line management training. We recruited a Learning & Development manager who helped us develop a comprehensive programme of learning activities for staff. We also offered all line managers an opportunity to complete an Institute of Leadership & Management (ILM)-accredited Leadership and Management training course.

Franchise staff

The people working in our shops are the face of our business, and we provide franchisees and their staff with extensive support to ensure the highest working standards. We onboard all new franchise owners with mandatory five-day training that covers HR management, H&S, and labour rights. Franchisees must also register with Peninsula, an HR outsourcing business that provides them with expert support and advice, notably on employee contracts and documentation.

In addition, we have appointed five area managers who audit all franchisees at least every quarter.

Diversity & inclusion

Cake Box has always been deeply rooted in the communities it serves. We are proud that our workforce represents the rich diversity of the UK population. The majority of our staff come from an ethnic minority background. This is reflected across all levels of management, with half of our Board of Directors being from ethnic minorities. According to our latest franchise survey, 80% of people working in our shops and kiosks identify as ethnic minorities. We also counted 40 different languages other than English spoken by our franchise colleagues.

Next year, we want to focus on gender equality. We know the importance of flexible working in attracting and retaining female talents, and we continue exploring how we can improve our policies and recruitment processes.

Our economic footprint

Our shops and our operations are embedded across the local communities where we contribute to a thriving economy. Our franchise estate comprises 205 shops and 27 kiosks, employing 1,305 people across risk the UK[1]. During FY22/23, we paid £5.4m in wages and salaries to 164 colleagues, a majority of whom come from an ethnic minority background. We also worked with 130 suppliers and third-party partners.

1. As of 31 March 2023.

Glasspool Charity Trust

Glasspool Charity Trust grants provide direct, simple and practical help to people facing financial hardship across the UK. Through its grant-giving programme the Essential Living Fund, the charity makes small one-off grants for essential household items and clothing.

Glasspool Charity Trust was established in 1939 by Richard Louveteu Glasspool, a Hertfordshire businessman and philanthropist. He experienced financial hardship as a young man, but when his income became more than enough to meet his personal needs, he started to provide financial support to individuals. He died in 1949, aged 65, but his legacy lives on in the Glasspool Charity Trust.

"The donation of £20,000 from Cake Box will enable the charity to help around 50 households in challenging circumstances, providing them with a bed, an oven or a washing machine and affording them some comfort, nutrition and dignity."

Julie Green,
Chief Executive

Principal Risks and Uncertainties

The Corporate Governance Report includes an overview of the Group's approach to risk management and internal controls.

Set out below are the principal risks and uncertainties that the Group faces, and the activities designed to mitigate these risks. The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed and therefore the list is not intended to be exhaustive.

Risk category	Potential impact	Controls/mitigating activities	Risk rating
Robust infrastructure	The Company is experiencing rapid growth, and this can put additional strain on both its human resources, their skills as well as the physical assets.	The Company prepares long- and medium-term strategic plans and maps resource requirements against these. It will then take the appropriate action to ensure the right resources are in place and that its people have the right skills to perform their jobs. Senior management reacts quickly to changes in the financial, operational or strategic risk profile facing the business and is able to implement new processes and adapt products, including adding additional resources if required.	Medium
Information security	Risk of non-compliance with data protection laws is an increasing risk for the business. As Cake Box increases its online sales, any loss of availability or integrity could result in a short-term impact on commercial performance and longer-term loss of customer confidence. There is significant reliance on third parties for hosting the transactional website and ensuring it is as secure as it can be. The global cyber threat landscape is evolving all of the time with ransomeware attacks, data breaches and targeted cyber-attacks becoming more sophisticated and commonplace.	We have significantly increased our investment in both people and infrastructure as we expanded our internal IT capabilities and worked with additional third-party companies. This investment has improved the resilience of the infrastructure (to correspond with the growth in online orders) and how we interact with our customers. Controls are in place to protect the platform availability and ensure we have multiple backups of data both in the cloud and on physical servers. We use an external company to regularly test our website security and PCI Security Standards.	High
Declining sales performance	As the cost of living crisis bites and many of our customers potentially have less disposable income, they could choose or be forced to reduce spending on discretionary items like celebration cakes, which may adversely impact store sales and therefore Group revenues. Increased competition will mean that customers have more choice which may lead to lower sales.	Historically, at times of uncertainty the celebration cake market has not been impacted as much as the rest of the economy due to the nature and frequency of the purchase. Our franchisees have and will continue to endeavour to moderate the level of any price increases they put through to customers, just as we seek to mitigate as much of possible the price increases in the supply chain being passed on to franchisees. We track what our competitors are doing and will increase marketing activities in areas where we see new competition. We also work proactively with all of our franchisees in improving the "Front of House" service and ensure the product is displayed to its best.	High

Risk category	Potential impact	Controls/mitigating activities	Risk rating
Supply chain logistics	The Company sources some ingredients and all of its packaging from overseas and these supply chains were under pressure as a result of the global pandemic, logistical challenges and increased costs due to scarcity of supply in certain products. Any failure to source ingredients and packaging could have a material adverse impact on franchisee sales and therefore Group revenues.	The Company had built up stockpiles of non-perishable goods as well as sourcing alternative suppliers to ensure a broader, more resilient supply chain. We continue to engage with our suppliers on a very regular basis to ensure our supply chains are as resilient as possible and that we always have alternative suppliers for all key products.	Low
Cost of goods price pressures	We are no longer seeing significant price pressures on our raw materials. However, we are aware that inflationary pressures remain and that some raw material prices will increase. If we are not able to either absorb or pass on some or all of these increases onto franchisees, then this may lead to reduced profits and potentially lower profits for franchisees.	We work closely with our suppliers and due to the volumes, that we purchase are able to obtain discounts and ensure a regular supply. As part of our procurement strategy, we do keep all of these key supplier relationships under regular review and wherever possible ensure that there are multiple suppliers available to mitigate the risk of supply chain inflation.	Medium
Cost pressures reduce profits for franchisees	Increased labour costs through rises in the Living Wage/Minimum Wage and increases in shop running costs (e.g. energy costs, food and packaging costs) mean that operating a franchise may become less profitable. This could reduce the interest in new franchises and also lead to store closures if some stores were to become unprofitable.	Franchisees enjoy healthy profit margins and so can absorb some degree of increases in operating costs. Many franchisees are multi-store franchisees so even if one store were to become loss making, they are able to continue to operate that store based on the performance of their other stores. Franchisees can also increase the retail price of cakes to maintain margin as we are a specialist retailer with a unique offering.	High
Food hygiene/ H&S matters at a production facility	Low food hygiene and/or health and safety rating by authorities could lead to a temporary closure of a production site, which in turn could prevent certain franchised stores from being able to trade, which would adversely impact the revenues of the Group.	The Company works with its Primary Authority Partner to ensure that all standards are met and actions any remedial works required via a team action plan. We have a Technical Product Department to oversee the process of ensuring we maintain the highest hygiene standards in food production and labelling. Production resilience is also ensured by having three production sites.	Medium
Reliance on key staff	Loss of key management could impact the Group's ability to continue to deliver against its strategic plan within the desired timeframe, leading to loss of investor confidence and a resulting reduction in the value of the Group.	The Group is not reliant on one single individual and senior management has been materially strengthened in key areas. Succession planning takes place for senior managers and other key members of staff. The Remuneration Committee seeks to ensure that key individuals are suitability incentivised for retention purposes.	Medium

Principal Risks and Uncertainties *continued*

Risk category	Potential impact	Controls/mitigating activities	Risk rating
Ability to recruit and retain skilled staff	The Group may fail to attract, retain or upskill talent. This could lead to a loss in institutional knowledge, corporate memory, and potential loss of business.	The Group has a good understanding of the employee market and provides competitive reward packages. There are clear job descriptions with defined recruitment and onboarding processes and a buddy/mentor for new staff.	Medium
Ability to recruit talent and retain skilled franchisees	The ability of the Group to attract and retain new franchisees with the appropriate attitude, expertise and skills, in all of the locations in which it wishes to operate cannot be guaranteed. This may limit or prevent further growth in the business.	The Group undertakes a rigorous recruitment and vetting process and has become very experienced at identifying good franchisees. There is strong demand from existing franchisees for new stores, together with a strong pipeline of new franchisees.	Medium
Consumer trends/health concerns	Financial results can be materially impacted by any material change in consumer habits within the United Kingdom. There is an increasing level of focus from media and Government on health and obesity issues in the UK. It is therefore important that we continue to facilitate customers to make informed decisions.	Our products are celebratory "treats" in the mind of the consumer. When it comes to treats consumers generally disregard health, sugar, and fat concerns. We have developed new products to appeal to a wider demographic and nutritional information for all products is now in place in our stores and on the website to allow customers to make more informed choices.	Low
Staff training	The Group may fail to comply with existing laws and regulations due to inadequate monitoring which may lead to financial impact, fines, potential loss of licences, reputational damage and customer loss.	The Group has documented policies and procedures and carries out regular reviews of regulatory requirements currently in place. There is mandatory training, update training based on changes to regulation and training for new staff, so they understand regulated areas.	Low
Product quality	A reduction in product quality as a result of poor operational standards by franchisees may deter customers, reducing sales at store level and in turn supplies purchased from Cake Box.	Sponge, the major constituent, is produced centrally and quality tested regularly. Operational audits take place regularly to ensure franchisees maintain the high standards and quality that the brand is known for.	Low

Risk category	Potential impact	Controls/mitigating activities	Risk rating
Poor performance of franchisees	Multiple franchisees could underperform in the market, which could result in lower revenues for the Group and potential damage to its reputation and financial performance. Even though the Group has the ability to terminate underperforming franchisees, this may not in itself allow it to stop any such potential damage. Low food hygiene and health and safety rating by authorities at a store level could be very damaging to the brand and potentially result in a reduction in system sales.	The Directors believe that the Group provides its franchisees with all the appropriate and necessary training, guidance and support to operate their stores successfully, safely and to the standards that the Group expects of its franchise stores. The Group also undertakes periodic audits of its franchisee stores and assists those stores that are performing less well in improving their marketing and store results. Poor EHO or audit scores automatically trigger retraining of franchisees and their staff. In addition, we undertake our own regular audits to maintain high standards.	Low
Business interruption/ business continuity	The Company relies on its supply chain and the key IT systems underlying the business to serve the franchisees (and therefore the ultimate customer) effectively. Production interruptions at any of its production sites caused by events such as fire, flood or IT systems failure, could impact the ability of that site to provide stores with the items they need to produce and sell cakes.	In recent years, we purchased two additional production and distribution facilities in Bradford and Coventry. Both of these are fully operational and can provide backup facilities to our main production and distribution facility in Enfield. Our internal data and systems are cloud-based and can be accessed from anywhere if the user has the appropriate access security rights.	Low

Section 172 Statement

Duty to promote the success of the Company

The Directors, in line with their duties under S172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, and in doing so have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's staff;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Directors' regard to these matters is embedded in their decision-making process, through the Company's business strategy, culture, governance framework, management information flows and stakeholder engagement processes. The Company's business strategy is focused on achieving success for the Company in the long term. In setting this strategy, the Board takes into account the impact of relevant factors and stakeholder interests on the Company's performance. The Board also identifies principal risks facing the business and sets risk management objectives. The Board promotes a culture of upholding the highest standards of business conduct and regulatory conduct.

The Board ensures these core values are communicated to the Company's staff and embedded in the Company's policies and procedures, employee induction and training programmes and its risk control and oversight framework. The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate a sustainable business. The Directors are supported in the discharge of their duties by:

- processes which ensure the provision of timely management information and escalation through reporting lines to the Board from the Company's business areas, its risk and control functions, support teams and committees of the Board;
- agenda planning for Board and Committee meetings to provide sufficient time for the consideration and discussion of key matters.

Michael Botha
Chief Financial Officer

Stakeholders

The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Company. The Board regularly discusses issues concerning staff, customers, suppliers, community and environmental impact, regulators and its shareholders. In addition, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly, when required. The following summarises the key stakeholders and how we engage with each:

Staff

Our staff contribute to a positive working culture and healthy working environment. Staff are key to the success of our business.

Suppliers

As a growing business, we work with a wide range of suppliers both in the UK and overseas.

Community and environment

The Board's approach to social responsibility, diversity and the community is of high importance.

Customers

Customers are at the centre of our business.

Franchisees

The best managers are owner occupiers which describes our franchisees perfectly.

Regulators

The Board's intention is to behave responsibly and to ensure that the management team operates the business in a responsible manner.

In addition to aiming to be a responsible employer in our approach to pay and benefits, we continue to engage with our team to ascertain which training and development opportunities should be made available to improve our team's productivity and our individual staff potential within the business. We continually invest in employee development and well-being to create and encourage an inclusive culture within the organisation Our employee appraisal programme encourages employee feedback and facilitates the opportunity for both staff and managers to set performance goals on an annual basis.

Our culture invites different perspectives, new ideas and opportunities for growth. We work hard to ensure staff feel welcome and are valued and appreciated for their hard work. Staff have access to a range of resources including a monthly 'well-being' drop-in session to ensure employees' mental health is considered. We provide staff with a charging point for hybrid or battery powered vehicles. We provide fresh fruit every week as well as a subsidised lunch programme with the local café to ensure our staff can have a good value meal at lunchtimes.

We remain committed to being fair and transparent in our dealings with all of our suppliers. The Company has procedures requiring all suppliers to maintain a due diligence process ensuring internal governance that includes, for example, their anti-bribery and corruption policies along with data protection, and modern slavery. The Company has systems and processes in place to ensure suppliers are paid in a timely manner.

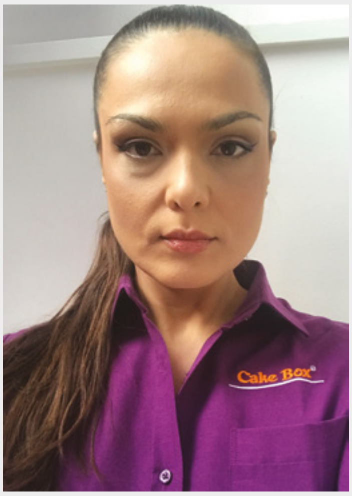
At Cake Box, we strive to create sustainable value and help investors seek more meaningful returns. Our franchisees interact and support their local communities, for example sponsoring youth football and cricket teams. Our Newham franchisee supports a hot kitchen for the homeless and needy every week in the winter months in conjunction with the local church. Corporate social responsibility principles are part of our culture and decision-making process. Diversity and inclusion are key to the success of Cake Box and our HR department ensures we follow government guidelines.

We have introduced compulsory "Front-of-House" courses for franchisees that focus on understanding customers and providing a first-class service. In addition our Area Managers help train the staff in the shops and educate franchisees on how to recruit the right staff. The head office Marketing department also work closely with the franchisees on local marketing campaigns using social media to present customers with attractive offerings.

They are fully dedicated to the development of their business with additional benefit of support from a network of franchisor personnel and management giving them assistance at every level to fully realise their shop potential. This has led to 44 franchisees being multiple site owners with 44 female franchisees of which 17 are multi-site owners.

Acting with the high standards and good governance expected of a regulated business like ours. In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in our sector.

We have a risk and control framework to ensure that the Company complies with all legal and regulatory requirements relating to the provision of products and services to our clients.



Staff development

Liza joined Cake Box in September 2019 as Housekeeping Assistant. Keen to advance her skills, Liza joined the warehouse team as Admin Assistant. Quickly demonstrating her ability, Liza was promoted to Warehouse Administrator.

As we continue to grow and improve business systems, Liza's ambition had not gone unnoticed. Selling millions of products through different channels online and in-store we needed an owner of our product database to join the Central Services team at Head Office. Liza was perfect for the Product Administrator role and is now responsible for administering pricing, nutritional facts, and range listing management across all sales channels, ensuring the website, Epos, delivery platforms, instore and Kiosk prices are aligned.

"At Cake Box we encourage our employees to explore their capabilities and support them in doing so, Liza is a great example of how we encourage cross functional progression".

Sukh Chamdal,
Chief Executive Officer

Board of Directors

A deep well of experience

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Neil Sachdev MBE (65)

Non-Executive Chairman

Neil joined Cake Box as Non-Executive Chairman in June 2018 He is an experienced Non-Executive Director and Chair and has extensive retail experience. He has led several PLCs over the last decade and he currently serves as chair on a number of Public Sector Bodies, His Majesty's Land Registry, and East West Rail Company, as well being a member of the University of Warwick Council where he chairs Warwick Business School and is the Treasurer. Serves as a Governor at Nuffield Health.

Neil was awarded his MBE for his work in the retail sector.

Sukh Chamdal (61)

Co-founder and Chief Executive Officer

Sukh opened the first Cake Box concept store in 2008 and co-founded the franchise business in 2009. He has over 35 years' experience in the food manufacturing and food retail industry. He was previously a consultant for a food equipment company that specialised in high volume food production.

Dr Jaswir Singh (66)

Chief Commercial Officer

Dr Singh joined Cake Box Holdings as Chief Operating Officer and has extensive retail experience within the clothing industry. He successfully ran his own restaurant business for nine years before joining Cake Box in March 2010. He was appointed Chief Commercial Officer in June 2022.

Michael Botha (55)

Chief Financial Officer

Michael joined Cake Box Holdings as an Executive Director in April 2023. Michael has worked in senior finance and commercial roles for several franchise businesses over the last 20 years, most recently for one of the largest Domino's Pizza franchise groups in the UK and Ireland. Michael is a qualified Chartered Accountant.

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Alison Green (56)

Non-Executive Director

Alison joined Cake Box Holdings as Non-Executive Director in August 2021. Alison's corporate background is in marketing and branding and was previously Chief Marketing Officer at Optima Health and Head of Marketing at AXA Health.

Alison is a Masters Qualified Executive Coach.

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Martin Blair (65)

Non-Executive Director

Martin joined Cake Box Holdings as Non-Executive Director in June 2018. He was a non-executive director of AIM-listed Kape Technologies plc until May 2023, and is currently a non-executive director of t42 IoT Tracking Solutions plc.

Previously Martin was CFO of Pilat Media (AIM listed) from 2001 to 2014.

Martin is a qualified Chartered Accountant.

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Adam Batty (51)

Non-Executive Director

Adam joined Cake Box Holdings as Non-Executive Director in June 2018.

Adam is an experienced corporate lawyer and was previously General Counsel and Company Secretary of Domino's Pizza Group plc, Selfridges Group, McCarthy & Stone plc and The Very Group. He is now General Counsel for a Private Equity house. In addition, Adam has run his own restaurant business.

Adam is a qualified solicitor.

Committee Membership Key

N Nomination Committee
R Remuneration Committee
A Audit Committee
E ESG Committee

Committee Chair
Committee member

Corporate Governance Statement

Statement of compliance with the QCA Corporate Governance Code

The Corporate Governance information was last updated in March 2023.

Chairman's introduction

The Board seeks to "Do the right thing" for our customers, people, staff, suppliers, and shareholders. The Board is strongly focused on promoting a positive culture and we believe that equality, diversity, inclusion and sustainability are fundamental for our strategy to be successful. The Board believes this is vital to creating a sustainable growing business and is a key responsibility of the Company.

The Non-Executive Directors continue to provide independent judgement on key issues affecting the Company.

It is the Board's job to ensure that Cake Box is managed for the long-term benefit of all shareholders, and intends to continue to provide effective and efficient decision making and a solid foundation for robust corporate governance, to underpin the work of the Executive management team.

The Board seeks to follow best practice in corporate governance as appropriate for a company of our size, nature, and stage of development. As a public company, admitted to trading on AIM, we are mindful of the trust placed in the Board by institutional and retail investors, staff and other stakeholders. We recognise the importance of an effectively operating corporate governance framework and the 10 principles set out in the QCA Code, and this statement briefly sets out how we currently comply with the provisions of the QCA Code.

Neil Sachdev MBE
Non-Executive Chairman

The Board is focused on delivering growth in a sustainable manner with the controls and corporate governance appropriate for its size, and delivering value for all of its stakeholders.

Neil Sachdev MBE
Non-Executive Chair

Principle 1 Establish a strategy and business model which promote long-term value for shareholders	The Board has clearly articulated its strategy and business model in the Company's strategy and business operations of the Group. The Board is responsible for the Group's strategy and the operation of the Board is documented in a formal schedule of matters reserved for its approval which is reviewed annually. This includes the Group's strategic aims and objectives. The Group's overall strategic objective is to become the UK customers' number one choice when ordering a celebration cake by increasing the range of cakes and other complementary products and by continuing to open new stores right across the UK. The Board believes that this approach will continue to deliver significant long-term value for shareholders through a strong share performance and a progressive dividend policy. The Board also believes that remaining committed to trading on AIM is of long-term value to shareholders as it offers a combination of access to capital markets, flexibility to make acquisitions, incentives, and rewards to management through share schemes, and a regulatory environment appropriate to the size of the Company.
Principle 2 Seek to understand and meet shareholder needs and expectations	The Company recognises the importance of engaging with its shareholders in order to communicate the Group/Company's strategy and progress and to understand the expectations and needs of shareholders. Beyond the Annual General Meeting, the Chief Executive Officer, and Chief Financial Officer meet regularly with investors (including institutional shareholders) and analysts to actively build the relationship, provide them with updates on the Group's business and to obtain feedback regarding the market's expectations for the Group. Shareholders also have access to current information on the Company through its website **https://investors.eggfreecake.co.uk**, and via its financial PR advisor.
Principle 3 Consider wider stakeholder and social responsibilities and their implications for long-term success	We recognise that we are responsible not only to shareholders and staff, but to a wider group of stakeholders (including our franchisees, customers and suppliers) and the communities in which we operate. The Company is focused on inclusivity, leadership, and engagement. The Company strives for a visible benefit from everything it does, whether that is promoting diversity and inclusivity through its events or creating value for its shareholders. The Company acts with integrity, focuses on creating results and importantly values people – from its members of staff to those who form the communities with which it engages. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise. The Company is especially focused on building and nurturing its relationships with the franchisees who are key to the business model. The Company solidifies its relationship with the franchisees by holding a bimonthly video call. The Company also holds periodic face-to-face meetings where current issues, new product launches and operational matters are discussed. There is an annual conference where the senior managers and Directors interact with franchisees in teambuilding and strategy events.
Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board is responsible for determining the nature and extent of significant risks that may have an impact on the Company's operations, and for maintaining a risk management framework. The Board is responsible for the management of risk and carries out robust assessments of the principal risks and uncertainties affecting the Company's business, discussing how these could affect operations, performance, and solvency and what mitigating actions, if any, should be taken.

Corporate Governance Statement *continued*

Principle 5 Maintain the Board as a well-functioning, balanced team led by the Chair	The Board includes a balance of Executive and Non-Executive Directors. All the Directors have appropriate skills and experience for the roles they perform at Cake Box, including as members of Board Committees. The Board is responsible to the Company's shareholders and sets the Company's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, direction and performance of the Company. The Board meets ten times per year as well as regular one-to-one meetings between Executive and Non-Executive Directors. The Chairman is responsible for ensuring that the Directors receive accurate and timely information and ensures that any feedback or suggestions for improvement on Board papers is fed back to management. Adam Batty, Martin Blair and Alison Green are Non-Executive Directors of the Company and Neil Sachdev is the Non-Executive Chairman. Martin Blair took over as Chief Financial Officer in December 2022 whilst the new Chief Financial Officer was completing his notice period prior to joining the Group. The Board considers that Neil, Adam, and Alison are independent, in character and in judgement, and have no business relationships which impact on their independence. The Board has delegated specific responsibilities to the Audit, Remuneration, Nomination and ESG Committees. Each committee reports back to the Board and has written terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference are kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. Each committee meets at least two times per year and all meetings are documented. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders. Directors are subject to re-election annually.
Principle 6 Ensure that between them the Directors have the necessary up-to-date experience, skills, and capabilities	As at 31 March 2023, the Board comprises of two Executive and four Non-Executive Directors with an appropriate balance of sector, financial and public market skills, and experience. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. In addition, the Chairman, Neil Sachdev, brings further strategic, commercial, transaction and leadership experience which will be invaluable as the Board pursues the Company's growth strategy and continues to transform the Company. See page 22 for a list of the Directors and their skills and capabilities.
Principle 7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Chairman reviews the contributions of Board members, as well as the Board Committees and conducts annual effectiveness reviews. In addition, the Non-Executive Directors will meet, without the Chairman present, and will evaluate his performance. All Non-Executive Directors have a one-to-one meeting with the Chairman to give and receive feedback annually. During May 2023 the Board commissioned Board Excellence to conduct an independent Board Effectiveness Review. Board Excellence are an international Board advisory business who have had no prior involvement with the Company. They undertake their reviews in accordance with the Corporate Governance Institute's Code of Practice for Board reviewers. The review will comprise the completion of a questionnaire by all Board members and certain senior managers, one-to-one interview with all respondents to the questionnaire and other stakeholders. The review will also include a review of a year's worth of Board and Committee papers and other governance-related documents and the observations. The Board expects to discuss Board Excellence's final report at its July meeting and will provide a further update in our next report. The Nomination Committee is responsible for succession planning of the executive leadership team and makes recommendations to the Board for the reappointment of any Non-Executive Directors annually at the AGM. Succession planning is reviewed on an ongoing basis alongside the capability of the senior management and Directors.

Principle 8 Promote a corporate culture that is based on ethical values and behaviour	The Board monitors and promotes a healthy corporate culture and considers how that culture is consistent with the Company's objectives, strategy, and business model and with the description of principal risks and uncertainties. Our Franchise Manual is issued to all franchisees and provides specific detail of the policies and procedures in place to promote and support ethical behaviour and values. The Company employs Audit Managers who visit each shop to ensure policies, procedures and standards are being adhered to. The Board has considered and assessed the culture as being inclusive, transparent, and collaborative with appropriate behaviours. The Board is satisfied that the Company has a 'speak up' culture and the Directors regularly observe this occurring in practice. The Company has a Code of Conduct and policies and procedures relating to whistleblowing stating the Company's commitment to conducting its business with honesty and integrity, its expectation that staff will maintain high standards, and encouraging prompt disclosure of any suspected wrongdoing. The terms of reference of the Audit Committee include reviewing the adequacy and security of the Company's arrangements for its staff and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and keeping under review the Company's procedures for handling allegations from whistleblowers. The Board believes that diversity is a key to future success of our business (we widen our business to include franchisees) we have put an effort on monitoring and improving the gender ratio in the Company as we firmly believe that part of the Company's success is the global and diverse nature of our workforce and we intend to continue our effort to promote diversity.
Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The governance structure adopted by the Group is set out in the Governance section of this Annual Report and on our website. This includes, but is not limited to, the composition and role of the Board; roles and responsibilities of the Board; the roles of the Board Committees and the compliance with our chosen corporate governance code. The terms of reference of our Board Committees are available on our website. The Board believes our governance framework is consistent with our culture and appropriate to our size and requirements. We will continue to evolve our governance framework, as necessary.
Principle 10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The above-mentioned formal schedule of matters reviewed annually by the Board includes matters relating to effective communication with the Company's shareholders. The Company maintains communication with its institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results. Private shareholders are encouraged to attend the Company's Annual General Meeting at which the Company's activities will be considered and questions answered. If 20% of the independent votes have been cast against a resolution proposed at any general meeting, the Company will include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it will take as a result of that vote. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and independent Non-Executive Directors will attend meetings with investors and analysts as required.

Report of the Audit Committee

On behalf of the board, I am pleased to present the Audit committee report for FY23.

During the year the Audit Committee has worked with external consultants to help run Risk Workshops for all senior managers to improve the process of internal controls.

Martin Blair
Chair of the Audit Committee

Members of the Audit Committee

The Committee consists of three independent Non-Executive Directors: myself, Martin Blair (as Chair), Adam Batty, Alison Green and Board Chair Neil Sachdev. The Chief Financial Officer, and other Executive Directors may attend Committee meetings by invitation. During the year we appointed a new Chief Financial Officer, and I oversaw the Group finance function during this period. For this period Adam Batty assumed the role of Chair of Audit. The new Chief Financial Officer, Michael Botha started 11 April 2023 and I resumed my role as Chair of Audit. The Board is satisfied that I, as Chair of the Committee, have recent and relevant financial experience. I report the Committee's deliberations at the next Board meeting and the minutes of each meeting are made available to all members of the Board.

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are available on the Group's website **www.investors.eggfreecake.co.uk/corporate-governance.**

The main items of business considered by the Audit Committee during the year included:

- review of the FY23 audit plan and audit engagement letter;
- consideration of key audit matters and how they are addressed;
- review of suitability of the external auditor;
- audit partner rotation;
- review of the financial statements and Annual Report;
- consideration of the external audit report and management representation letter;
- going concern review;
- review of the risk management and internal control systems;
- review of the need for an internal audit function;
- meeting with the external auditor without management present; and
- review of whistleblowing and anti-bribery arrangements.

Auditor objectivity, independence and performance

The Audit Committee monitors the relationship with the external auditor, MHA to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The Audit Committee considered the threats to the independence of MHA created by the provision of the non-audit services and concluded that sufficient safeguards were in place.

The external auditors are required to rotate audit partners responsible for the Group audit every five years and the current lead audit partner, Andrew Moyser, was appointed in 2021, on appointment of MHA. The Audit Committee also assesses the auditor's performance. During the year, the Committee reviewed performance and met with the external auditors regularly without management present. The Committee has adopted a broad framework to review the effectiveness of the Group's external audit process and audit quality which includes:

- assessment of the audit partner and team with particular focus on the lead audit engagement partner;
- planning and scope of the audit, with identification of particular areas of audit risk;
- the planned approach and execution of the audit;
- management of an effective audit process;
- communications by the auditors with the Committee;
- how the audit contributes insights and adds value;
- a review of independence and objectivity of the audit firm; and
- and the quality of the formal audit report to shareholders.

Having reviewed the auditor's independence and performance, the Audit Committee recommends that MHA be reappointed as the Group's auditor at the next AGM.

Areas of key significance in the preparation of the financial statements

Prior to publication of this Annual Report and Accounts, the Committee reviewed the accounting policies and significant judgements and estimates underpinning the financial statements as disclosed in the notes to the consolidated financial statements. Significant focus is placed on key accounting judgements and estimates, which underpin the financial statements, namely:

- Inventory valuation
- Impairment of investments and property, plant and equipment
- Revenue Recognition
- Accounting for leases and right of use assets

Internal audit

At present the Group does not have an internal audit function but works with BDO LLP ("BDO") on a programme of works that has looked at the effectiveness of internal controls. At the beginning of the year we met with BDO and agreed a plan which covered an update on the progress made on those areas that came out of the external auditor's recommendations, an audit of the Franchisee Management process and a Risk Workshop for all senior management staff. The Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without a dedicated internal audit function. However, the Audit Committee continues to assess this as the Group develops.

Risk management and internal controls

As described on pages 24 to 27 of the Corporate Governance report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and where appropriate they are enhanced and improved:

- proper business records are maintained and reported on, which might reasonably affect the conduct of the business;
- monitoring procedures for the performance of the Group are presented to the Board at regular intervals;
- budget proposals are submitted to the Board no later than one month before the start of each financial year;
- accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements;
- the Group is provided with general accounting, administrative and secretarial services as may reasonably be required; and
- interim and annual accounts are prepared and submitted in time to enable the Group to meet statutory filing deadlines.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

Report of the Audit Committee *continued*

The Committee supports the Board in its overall responsibility for risk management activities and implementing policies to ensure that all risks are evaluated, measured and kept under review by way of appropriate KPIs. The Group regularly conducts a thorough external assessment of risks and the effectiveness of associated controls. Presentations from senior management across the business are provided to the Board to further develop information, understanding and debate on risks.

The Group will continue to improve and evolve its risk management framework by developing and embedding the necessary capabilities within the organisation to support informed risk taking by the business. Management, together with the Board, periodically review and revise risk appetites setting out risks that should be avoided and those that can offer sustainable and positive returns.

The first half of the financial year saw a significant change in the Group's risk assessments as a result of fast changing macro-economic factors.

Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, speak up about concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Committee's agenda. The Committee is comfortable that the current policy is operating effectively.

Anti-corruption

The Board is also responsible for ensuring the Group's compliance with all applicable anti-corruption legislation, including, but not limited to, the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977. The Group complies and always has complied with all applicable anti-corruption laws. In view of the requirement in the UK Bribery Act 2010 for relevant companies to have adequate anti-bribery procedures, the Group has devised and implemented a suite of anti-corruption policies and procedures designed to prevent corruption by anyone working on its behalf. The Group has adopted a zero-tolerance approach to corruption and is committed to ethical business practices. The Committee is comfortable that the current policy is operating effectively.

Martin Blair and Adam Batty
Chairs of the Audit Committee

Board Committees

To assist it in carrying out its duties, the Board has set up four committees comprising the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. An explanation of the responsibilities and composition of these committees is set out below and the terms of reference can be downloaded from our website.

Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee
The Audit Committee consists of: **Martin Blair, Chairman**[1] **Adam Batty** **Neil Sachdev** **Alison Green**	The Remuneration Committee consists of: **Adam Batty, Chairman** **Neil Sachdev** **Martin Blair** **Alison Green**	The Nomination Committee consists of: **Neil Sachdev, Chairman** **Adam Batty** **Martin Blair** **Alison Green**	The ESG Committee consists of: **Alison Green, Chairman** **Neil Sachdev** **Dr Jaswir Singh**
The Audit Committee is expected to meet formally at least four times a year and otherwise as required. It has responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. *1 Adam Batty took over as Chairman of the Audit Committee whilst Martin Blair was in the role of Interim CFO.*	The Remuneration Committee is expected to meet no less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive, the Chairman, the Executives and Non-Executive Directors, and other senior executives. The Remuneration Committee also has responsibility for determining the total individual remuneration package of the Chairman, each Executive Director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards). No Director or manager may be involved in any discussions as to their own remuneration.	The Nomination Committee is expected to meet not less than once a year and at such other times as required. It has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to senior executive and senior leadership succession planning. It also has responsibility for recommending new appointments to the Board.	The ESG Committee is expected to meet no less than twice a year and at such other times as required. The ESG Committee has responsibility for understanding the views of stakeholders as well as the methods of engagement with key stakeholders. Managing ESG risks, and opportunities, and ensuring the Company's ESG policies, management of climate change and other sustainability factors and practices are in alignment with its culture, purpose and values. Oversight of external reporting where appropriate and the duty to promote the success of the Company with having regard to the interests of the Company's staff, shareholders and stakeholders as a whole.

Report of the Remuneration Committee

I am pleased to present this remuneration report for the year ending 31 March 2023.

2022/23 has again been a busy year for the Remuneration Committee, with significant focus on agreeing an appropriate remuneration package for our new permanent CFO who joined the business just as the new financial year 2023/24 began.

Adam Batty
Chair of the Remuneration Committee

The report comprises a description of how the Committee operates; a brief overview of the remuneration policy in place in the financial year and how we intend to implement it in FY24; together with details of compensation paid to the Board of Directors within the financial year.

Remuneration policy and implementation

Following on from the comprehensive review in FY22 of Executive Directors' remuneration where independent advice was sought, it was reported last year that slight adjustments were made for FY23 to Executive Directors' base salaries to bring them closer to market levels but positioned at a modest level relative to equivalent roles at companies with similar characteristics and sector comparators. The Committee is confident that the current remuneration levels are appropriately competitive in the market, recognise the skills and experience of the Executive Directors and reflect the solid financial performance in the year under review, despite the challenging macro-economic conditions affecting both high street businesses and consumers in the UK.

However, in FY24, the Committee will undertake a thorough review, again taking independent advice, to look at the operation of fixed and variable remuneration to ensure there continues to be an appropriate link between performance, strategy and reward, that will attract, motivate and retain high quality individuals who will contribute fully to the success of the Group.

Last year, despite having changed our approach to granting long-term incentives on an annual basis and moving to a structure which incorporates a traditional three-year vesting period and a two-year holding period, the Committee decided it was not appropriate to make any long-term incentive awards in FY23 due to the uncertainties in the macroeconomic climate the Company was facing, making it difficult to set challenging yet attainable targets. However, the Committee expects to make its next set of long-term incentive awards early in FY24.

Business context

The business has once again shown considerable resilience in what has been a very unpredictable economy, with unprecedented rises in energy and raw material prices and a cost of living crisis, on the back of tough comparatives from last year, following the easing of pandemic lockdowns. As set out in the Financial Review:

- Like-for-like[1] sales growth of 1% in franchise stores in the year to 31 March 2023 (2022: 12%)
- 20 new shop openings and number of kiosks increased by three
- We achieved record revenue of £34.8m, up 5.5% on the prior year
- Adjusted Profit before tax reduced by 20.6% to £5.4m
- The Group's balance sheet remains strong, with net cash of £7.4m, up 12.1% on the prior year
- A final dividend for the year of 5.5p recommended (2023: 2.625p Interim dividend)

1. Like-for-like: Stores trading for at least one full financial year prior to 31 March 2023.

FY22/23 Outcomes

Annual Bonus

The annual bonus remained capped at 75% of salary and was based on EBITDA and the achievement of strategic objectives. As a result of the challenging market conditions, particularly in the first half, the EBITDA threshold set at the start of the financial year was not achieved. The majority of non-financial targets were achieved in full but in light of the failure to meet the financial targets, the Committee decided that no annual bonus would be payable as the bonus payments would not have been self-funding given EBITDA delivered was below the threshold.

Performance shares

Last year we set out our proposed policy to grant annual awards of performance shares. Despite this intention, at the point of making the planned awards, it was again decided that it was not appropriate to make any awards in the financial year under review. The Committee fully intends to make an award in 2023/24 – such awards, for Executive Directors (including the new CFO), will vest after three years and have a two-year post vesting holding period.

Full details of the basis on which the awards will be made are set out in the Annual Report on Remuneration.

No existing long-term incentive awards were capable of vesting in the year.

Chief Financial Officer arrival

On 21 October 2022, we announced that Michael Botha would be joining Cake Box as its new permanent Chief Financial Officer, succeeding David Forth who was the interim Chief Financial Officer from 14 March 2022 to 18 November 2022 and then Martin Blair who took over until 11 April 2023. Michael joined the Board as Chief Financial Officer on 11 April 2023.

Implementation of policy in 2023/24

Executive Director salaries were reviewed during the financial year and the base salary for Dr Singh, the Chief Commercial Officer, and Sukh Chamdal, Chief Executive, have been increased in line with the 2023 cost of living pay increase for the wider workforce of 6%. Increases took effect from 1 April 2023.

Michael Botha's starting salary is £220,000. His salary positioning reflecs his extensive experience in working in senior finance and commercial roles for a number of franchise businesses over the last 20 years.

Executive Directors will participate in the bonus and LTIP in the 2023/24 financial year and full detail of their participation is provided in this report.

Remuneration report

The Directors' Remuneration report was subject to an advisory shareholder vote at the 2022 Annual General Meeting. I would like to take the opportunity to thank shareholders who gave us their views on our revised policy pay arrangements and we were pleased to receive over 99% vote in favour. I do hope you will support the remuneration resolution which will be tabled at the forthcoming AGM.

Summary

Against the backdrop of a resilient performance in a difficult first half and a stronger performance in the second half in its fifth year as a public company, especially in the face of the ongoing challenging trading conditions arising out of the rise in energy and raw material prices and a cost of living crisis, the Committee is satisfied that the remuneration outcomes for FY23 are appropriate and that the current remuneration policy, which was originally adopted in FY22 continues to be appropriate for FY24. As mentioned earlier, we intend to undertake a review of pay during FY24 to ensure our policy operates in such a way as to drive, support and reward our critical leadership team to achieve our strategy both operationally and over the longer term, providing sustainable returns for our investors.

Adam Batty
Remuneration Committee Chair

Report of the Remuneration Committee *continued*

Annual report on remuneration

How the Committee operates

The Committee is appointed by the Board and is formed of Non-Executive Directors. In the year under review, the Committee was chaired by Adam Batty; the other members of the Committee were Neil Sachdev, Alison Green and Martin Blair.

The Committee met four times during the year and all Committee members attended every meeting. The Committee's terms of reference, which were reviewed at the start of the year, are available for public inspection on the Company's website at **https://investors.eggfreecake.co.uk**.

Other members of the Board of Directors are invited to attend meetings when appropriate, but no Director is present when his remuneration is discussed. FIT Remuneration Consultants ("FIT") provided advice to the Committee during the year. FIT is a signatory to the Remuneration Consultants Group code of conduct and has no other connection with the Company other than in the provision of advice on remuneration from time to time.

The Committee's principal duties remain as follows:

- to review and make recommendations in relation to the Company's Senior Executive remuneration policy;
- to apply these recommendations when setting the specific remuneration packages for each Executive Director, the Company Chairman and other selected members of senior management and to include annual bonuses, the eligibility requirements for long-term incentive schemes, pension rights, contracts of employment and any compensation payments;
- to ensure that the remuneration policy is aligned with the short and long-term strategy of the Company;
- to manage performance measurements and make awards under the Company's annual bonus and long-term incentive plans;
- to consult with key shareholders with regards to remuneration where appropriate and take their views into account; and
- to manage reporting and disclosure requirements relating to Executive remuneration.

The remuneration policy is designed to provide an appropriate level of compensation to senior management such that they are sufficiently recognised and rewarded for their strong performance, levels of responsibility and complexity of their role and to reflect their skills and experience over time. Using appropriate measures of financial and personal performance, as well as equity-based rewards, helps to align the interests of the Directors with those of the Company's shareholders.

The Committee has taken into account market data when setting remuneration levels, positioning Executives' overall pay at or below market levels relative to similarly sized AIM-listed companies, as well as those from the food sector. This provides a package which is both fair and competitive within the market.

Base salary

The base salary provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.

Base salaries are reviewed on an annual basis, and any increases become effective from the start of the financial year.

Back in FY22, a salary benchmarking exercise was undertaken by the Committee and there was a resulting modest repositioning of salary levels in order to attract and retain top talent as the business moved into its next stage of growth and maturity. In the year under review (and as in the prior year), the Committee has undertaken its annual review of salaries for the Executive Directors and senior management and awarded cost of living increases in line with the rest of the workforce (being an average uplift of c.6% of salary. As a result, the base salary of Sukh Chamdal increased to £243,800 and the base salary of Dr Jaswir Singh to £143,100 with effect from 1 April 2023. Michael Botha, the new CFO, joins on a starting salary of £220,000, reflecting the market rate and his level of experience. On joining the business, Michael Botha was also paid a signing on bonus of £25,000 to compensate him for a long-term incentive payment he would have qualified for from his previous employer if he had waited to hand in his notice. The Company was very keen to secure a permanent CFO as soon as possible, having had an interim CFO since the beginning of FY23, so felt it appropriate to offer this one-off, non-pensionable cash bonus to the new CFO.

Pension and benefits

The Executive Directors are entitled to a pension contribution of up to 2% of salary in the form of a defined contribution to a stakeholder pension plan, in line with the rest of the workforce. Additionally, the Executive Directors are entitled to private medical insurance as a benefit in kind.

Annual bonus

The annual bonus provides an incentive linked to the achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.

The remuneration policy allows the Committee, at its discretion, to make annual cash bonus awards to the Executive Directors, which will normally be limited to a bonus opportunity of 75% of salary per annum.

Stretching performance targets are determined by the Committee at the start of the financial year, which are fully aligned with the Company's strategy and objectives. These targets (a majority of the bonus) are financial in nature (e.g., EBITDA), with a minority of the bonus payable for the achievement of qualitative strategic and personal performance targets that underpin the Company's growth ambitions.

For the financial targets, a sliding scale target range is used, with no bonus payable for this element unless a threshold level of performance is achieved (which will be achieving market consensus). Clawback provisions do apply.

Financial targets (80% weighting)

	Threshold (25% payable)	Maximum (100% payable)	Actual	% of EBITDA related bonus payable
EBITDA	£7.6m	£9.29m	£6.76m	0%

Non-financial targets (20% weighting)

The non-financial objectives related to delivering strategic milestones (new operating formats, plus kiosk strategic partnerships, opening 30 new stores and 20 kiosks, introducing new governance structure for H&S, food safety and internal controls, a people objective around developing the senior leadership team and succession planning and a customer objective around developing a marketing function to drive national brand awareness and improving customer service through franchisee engagement and training. (CEO objectives), for the COO, the non-financial objectives related to creating a customer-focused website experience that can readily measure customer satisfaction and drive customer retention, build a suitable product development team with a new product launch protocol, a franchisee project to improve ease of operations and work closely with the ESG Committee to improve ethical standards. There were no CFO objectives as there was no permanent CFO during the year under review.

As a result of the financial performance of the business in the year under review being materially below the EBITDA target set and despite the achievement of certain of their personal objectives, the Executive Directors were ineligible for an annual bonus.

Long-term incentives

The Group operates two equity-settled share-based remuneration schemes. Awards are granted to recognise, retain and reward Executive Directors in relation to long-term performance and achievement of the Company's strategy. Payment in shares enables Executive Directors to build on their existing shareholdings, promote long-term shareholding and promote alignment of interest with shareholders.

The EMI scheme awards are subject to stretching performance conditions set at the time of grant, which comprise metrics based on financial performance in line with our key objectives of delivering returns to our shareholders through achievement of our growth strategy and ongoing employment.

In terms of grants made, the Executive Directors have only received an initial award of performance shares in FY20, at 250% of salary on a four-year vesting period.

In FY21, the Committee decided not to make any annual awards, in light of the disruption to the business caused by the COVID-19 crisis. In FY22, the Committee had planned to make a second award of performance shares in line with its decision to make annual overlapping awards, but decided it was not appropriate at that time. In FY23, the Committee had intended to make this second award but following the disappointing financial performance in the first part of the first half, the Committee again exercised its discretion not to award the Executive Directors any performance shares in the year under review. However, the Committee fully intends to make a second award to the Executive Directors, including the new CFO, as soon as it is able in FY24 and annually thereafter.

The proposed grant level will be 100% of salary (save for the new CFO who will get a one-off joining award equivalent to 150% of salary) but on a three-year vesting period, rather than four-year which was used in the first award, which the Committee feels would be in line with typical market practice and that this will help the Committee set more robust and accurate performance EPS targets. The Committee in FY22 committed to introducing going forward a two-year holding period to all future awards granted to Executive Directors, thereby ensuring a five-year gap between grant and the first available opportunity to benefit from a vested LTIP award.

The FY24 awards will be subject to an earnings per share measure relating to performance in FY26. Details of the EPS targets will be set out in the announcement that accompanies the next awards.

Report of the Remuneration Committee *continued*

Non-Executive Director fees

Fees for Non-Executive Directors are set with reference to market data, time commitment, responsibilities and chairmanship of Board Committees. Fees are normally reviewed biennially, and the current fees were set during FY22 to take effect from 1 April 2022.

The fees payable to the Non-Executive Directors for FY23 were £75,000 for Neil Sachdev as Chairman and £45,000 for Adam Batty, Alison Green and Martin Blair. Other than their annual fee, as well as appropriate travel expenses to and from Board meetings, no additional compensation is payable. Martin Blair stepped into the role of interim CFO for five months following the departure of the previous interim CFO at the end of his contract, until the arrival of Michael Botha, the new CFO, who joined the business on 11 April 2023. During this time, Martin Blair was paid an additional fee for his services.

Pay and conditions elsewhere in the Company

The remuneration policy described above provides an overview of the structure that operates for the most senior executives in the Company, with a significant element of remuneration dependent on Company and individual performances. A lower aggregate level of incentive payment applies below Executive Director level. The vast majority of the Company's staff participate in an annual bonus plan with the limits and performance conditions varying according to job grade. The Committee believes in broad-based employee share ownership being a key element in retention and motivation in the wider workforce, so a number of the more senior staff are provided with longer-term incentives through discretionary share schemes. The Committee takes into account remuneration packages within the Company as a whole when determining executive pay levels.

Service agreements

The Executive Directors' service agreements provide that their employment with the Company is on a rolling basis, subject to written notice being served by either party of not less than six months.

The current service contracts and letters of appointment include the following terms:

		Date of contract	Notice period
Executive Directors	Sukh Chamdal	20 June 2018	Six months
	Dr Jaswir Singh	20 June 2018	Six months
Non-Executive Directors	Adam Batty	20 June 2018	Three months
	Martin Blair	20 June 2018	Three months
	Alison Green	6 August 2021	Three months
	Neil Sachdev	20 June 2018	Three months

Under these service contracts, the Company may terminate an Executive Director's employment immediately by making a payment in lieu of base salary, benefits and statutory entitlements, and any bonus or commission payments pro-rated for the duration of the notice period. No bonus would be payable in the event of an Executive Director's resignation.

Remuneration

The Directors received the following remuneration for the financial year ended 31 March 2023.

All Executive and Non-Executive Directors are deemed to be Key Management Personnel.

	Salary and fees £'000	Benefits in kind[2] £'000	Pension £'000	Annual bonus £'000	**2023 total £'000**	2022 total £'000
Executive Directors						
Sukh Chamdal[1]	229,817	12,888	1,321	–	**244,026**	233,922
Pardip Dass	–	–	–	–	**–**	369,239
Dr Jaswir Singh[1]	134,817	12,223	1,321	–	**148,361**	138,299
Non-Executive Directors						
Adam Batty	45,000	–	–	–	**45,000**	38,500
Martin Blair[3]	116,700	–	388	–	**117,088**	38,500
Alison Green	45,000	–	578	–	**45,578**	26,312
Neil Sachdev	75,000	–	–	–	**75,000**	62,500

1. *Includes £9,000 car allowance for the Executive Directors.*
2. *Includes the provision of private medical insurance.*
3. *Martin Blair was paid £71,700 for his services, through the Company's payroll as Interim Chief Financial Officer from 11 November 2022 to 31 March 2023.*

Statement of Directors' interests

The table below sets out the beneficial interests in shares and the unvested share options of all Directors holding office as at 31 March 2023:

	Ordinary shares		Unexercised share options		Total interests	
	At 31 March 2023	At 31 March 2022	**At 31 March 2023**	At 31 March 2022	**At 31 March 2023**	At 31 March 2022
Sukh Chamdal	**10,162,915**	9,787,915	**–**	–	**10,162,915**	9,787,915
Dr Jaswir Singh	**626,087**	576,087	**–**	–	**626,087**	576,087
Neil Sachdev	**33,510**	33,510	**–**	–	**33,510**	33,510
Alison Green	**6,000**	6,000	**–**	–	**6,000**	6,000
Martin Blair	**20,000**	–	**–**	–	**20,000**	–
Adam Batty	**–**	–	**–**	–	**–**	–

Adam Batty
Chairman of the Remuneration Committee

Report of the Nomination Committee

The Nomination Committee is chaired by Neil Sachdev and its other members are Adam Batty, Alison Green and Martin Blair who are all independent Directors.

The Nomination Committee is responsible for reviewing the structure size and composition (including the skills knowledge experience and diversity) of the Board and making recommendations to the Board with regard to the changes. The Committee considers succession planning taking into account the challenges and opportunities facing the Company now and the future. The Board reviews regularly the skills and expertise needed on the Board and in management, to ensure we are able to deliver our aims and objectives for the longer term. The Committee regularly reviews how we lead, and the leadership needs of the business to ensure our values are upheld.

The Committee has met twice this year and has reviewed its terms of reference this year.

Time commitments

All Directors have been advised of the time requirement to fulfil their roles prior to appointment and all have confirmed they can make the requirement before they were appointed. This requirement is also included in their letters of appointment.

The Board is satisfied that the Chairman and each of the Non-Executive Directors are able to devote sufficient time to the Group's business.

Board effectiveness review

Reviews are undertaken annually, being internally facilitated but with an external facilitator every third year. Despite originally planning to conduct an externally facilitated Board evaluation during the year under review, the Committee decided, principally on timing grounds, to carry out an internal evaluation instead.

We conducted an internal evaluation in June 2022 following the end of the financial year by way of extensive questionnaire compiled by the Company Secretary and the Chairman. The findings have now been discussed by the whole Board and actions agreed. Additionally, the Chairman's performance was evaluated and discussed separately by the Board without the Chairman being present, with feedback provided to the Chairman by one of the Non-Executive Directors.

The Board was satisfied that it was well run, whilst acknowledging areas of improvement for the Board as a whole and individuals. The evaluation also tested strategic direction of the Company and these items are taken forward to the next Board Strategy Meeting for discussion and agreement and then monitored at subsequent Board meetings.

The Board commissioned Board Excellence to conduct an independent Board Effectiveness Review. Board Excellence are an international Board advisory business who have had no prior involvement with the Company. They undertake their reviews in accordance with the Corporate Governance Institute's Code of Practice for Board reviewers. The review has or will comprise the completion of a questionnaire by all Board members and the Company Secretary, one-to-one interviews with all respondents to the questionnaire and three other Executives or stakeholders. The review will also include a review of a year's worth of Board and Committee papers and other governance-related documents and the observations.

Whilst not all of the work has been completed good progress has been made and Board Excellence expects to discuss their draft report with the Board at the July Board meeting and we will provide a further update in our next report.

Continuous development of Directors

The Directors are all required to keep themselves abreast of changes in relevant legislation and regulations. External training on appropriate topics is provided at least once a year, and during the year the Board has completed training sessions on Modern Slavery, the AIM Rules and fiduciary duties. The Chairman and Non-Executives are encouraged to share their wider experiences at the Board to enhance the learning experiences of the whole Board at every meeting.

Succession planning and external appointments

The Board reviews succession planning for the senior management every year and considers the skill gaps in planning its recruitment. All senior appointments have material Non-Executive Director involvement, working alongside the Executive Directors and staff external recruitment advisors to ensure a rigorous selection process for those candidates selected from the appropriate talent pools. During the year under review, the Committee led the process for the hiring of the Head of IT, the new CFO.

All new external appointments require the Chair's approval.

The Board recognises the importance and need for a clear and orderly succession plan. We know we have much to do to improve our executive experience and skills but the whole Board needs to remain current and relevant.

The Board has agreed, as most of the Non-Executive Directors will have reached their second term this year, the Board will commence an orderly rotation over the next two years whilst, maintaining the balance of skills, independence, relevance, Plc experience and always looking to improve its diversity.

Conflicts of interest

At each meeting the Board considers Directors' conflicts of interest. The Company's Articles of Association provide for the Board to authorise any or actual conflicts of interest.

Independent professional advice

Directors have access to independent professional advice at the Company's expense. In addition, they also have access to the advice and services of the Company's advisors.

Directors' and officers' liability insurance

The Company has purchased Directors' and officers' liability insurance during the year as permitted by the Company's articles.

Election of Directors and officers

Each of the Directors puts himself/herself up for re-election every year at the AGM.

Culture and values

The Board monitors and promotes a values-based corporate culture and has considered how the culture is consistent with the Company's objectives, strategy and business model. The Board reviews employee surveys to ensure that the values of the Company are fully embedded, and actions followed through.

The Board has considered and assessed the culture and continues to monitor its inclusiveness. The Board are fully aware of the need to improve gender balance on the Board and in senior management and to this end welcomed Alison Green as a Non-Executive Director in August 2021. There is an ongoing process of review of the make-up of the Board and senior management for succession purposes.

The Company has a Code of Conduct, Anti Bribery and Corruption policy and a modern slavery statement. It has policies and procedures relating to whistleblowing, stating the Company's commitment to conducting its business with honesty and integrity, its expectation that staff maintain high standards and encouraging prompt disclosure of any suspected wrongdoing.

The Directors follow the guidance set out by Rule 21 of the AIM Rules relating to dealings by Directors in Company securities and to this end the Company has adopted an appropriate share dealing code.

Neil Sachdev MBE
Non-Executive Chairman

Directors' Report

The Directors present their annual report and audited financial statements for the Group for the year ended 31 March 2023.

Principal activity

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

The principal activity of the Company continues to be that of a holdings company. The principal activities of its subsidiaries continue to be the retail trade of cakes and associated services.

Review of business

A detailed review of the development of the business is contained in the Chairman's and Chief Executive's Statements, which are included in the Strategic Report.

Results

The Group made a profit before income tax of £5,443,567 (2022: £7,737,325) for the year ended 31 March 2023 on a turnover of £34,800,941 (2022: £32,964,846). At 31 March 2023 the Group had total assets of £27,823,799 (restated 2022: £25,895,746).

Dividends

The Directors proposed the payment of a final dividend of 5.5p per share for the year ended 31 March 2023 bringing the total dividend for the year to 8.125p per share (2022: 7.6p per share).

Directors

The Directors who served during the year were:

S R Chamdal
Dr J Singh
A Batty
A Green
M Blair
N Sachdev

Substantial shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital at 31 March 2023 are as follows:

Name	Number of shares held	% of ordinary share capital
Sukh Chamdal	10,162,915	25.41%
Ennismore Fund Management	2,601,749	6.50%
Cannacord Genuity Wealth Management	2,780,000	6.95%
Cazenove Capital Management	1,843,289	4.61%
River and Mercantile Asset Management	1,788,925	4.47%
CRUX Asset Management	1,768,000	4.42%
Axa Framlington Investment Managers	1,729,261	4.32%
Kulwinder Kaur	1,509,740	3.77%
Polo Capital Management	1,250,775	3.13%

Indemnity of Directors

The Group has indemnified the Directors of the Group for costs incurred, in their capacity as a Director, for which they may be held personally liable, except where there is a lack of good faith.

Disabled staff

Due to the size of the Group, no formal policy for the employment of disabled persons has been established. However, the Group gives full consideration to employment applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job.

Likely future developments

Information on likely future developments of the Group is disclosed in the Strategic Report.

Financial instruments

Information on the Group's financial instruments is disclosed in the Strategic Report and Note 26 to the Financial Statements.

Research and development activities

During the year the Company conducted research and development in respect of cake innovations, improved production methods, innovative packaging solutions and new products.

Going concern

The Directors have prepared and reviewed financial forecasts and the cash flow requirements to meet the Group and the Company's financial objectives. The Directors are satisfied that, taking into account the current cash resources and facilities available to the business and its future cash requirements, it is appropriate to prepare accounts on a going concern basis.

Post balance sheet events

There are no material events after the reporting period to report.

Disclosure of information to auditor

Each of the Directors who are in office at the date when this report is approved has confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of such information.

Auditors

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

On behalf of the Board.

S R Chamdal
Director
25 June 2023

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare group financial statements in accordance with International Accounting Standards (UK adopted IAS) in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with UK adopted International Accounting Standards (UK adopted IAS) in conformity with the requirements of the Companies Act 2006.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted International Accounting Standards (UK adopted IAS);
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cake Box Holdings Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report
to the Members of Cake Box Holdings Plc

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Cake Box Holdings plc. For the purposes of the table on pages 44 to 45 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Cake Box Holdings plc and its subsidiaries (the "Group"). The "Parent Company" is defined as Cake Box Holdings plc, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Cake Box Holdings plc for the year ended 31March 2023.

The financial statements that we have audited comprise:

- the Consolidated Statement of Comprehensive Income
- the Consolidated Statement of Financial Position
- the Consolidated Statement of Cash Flows
- the Consolidated Statement of Changes in Equity
- Notes 1 to 34 to the consolidated financial statements, including significant accounting policies
- the Company Statement of Financial Position
- the Company Statement of Cash Flows
- the Company Statement of Changes in Equity and
- Notes 1 to 14 to the Company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Financial Reporting Standards ("UK adopted IFRS").

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom adopted International Financial Reporting Standards (UK Adopted IFRS); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

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 Group 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 as applied to listed entities, 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.

Independent Auditor's Report *continued*
to the Members of Cake Box Holdings Plc

Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's operations and specifically its business model.
- The evaluation of how those risks might impact on the Group's available financial resources.
- Review of the mathematical accuracy of the cashflow forecast model prepared by management and corroboration of key data inputs to supporting documentation for consistency of assumptions used with our knowledge obtained during the audit.
- Challenging management for reasonableness of assumptions in respect of the timing and quantum of cash receipts and payments included in the cash flow model.
- Holding discussions with management regarding future financing plans, corroborating these where necessary and assessing the impact on the cash flow forecast.
- Review of the Group's external debt exposure to determine if any future repayments have been included within the Group's cash flow projections.
- Holding discussions with management and completing reviews of any events after the reporting period to identify if these may impact on the Group's ability to continue as a going concern.
- Evaluating the accuracy of historical forecasts against actual results to ascertain the accuracy of management's forecasts.

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 Group's and Parent 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.

Overview of our audit approach

Scope	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. The Group consists of three reporting components, all of which were considered to be significant components: Cake Box Holdings plc, Eggfree Cake Box Limited and Chaz Limited. The significant components were subjected to full scope audits for the purposes of our audit report on the Group financial statements. Material subsidiaries were determined based on: 1) financial significance of the component to the Group as a whole, and 2) assessment of the risk of material misstatements applicable to each component. Our audit scope results in all major operations of the Group being subject to audit work.
Materiality	

Materiality		2023	2022	
	Group	£272,000	£333,000	5% (2022: 4.3%) of profit before tax
	Parent Company	£18,300	£22,500	2% (2022: 2.6%) of gross assets

Key audit matters Recurring	Inventory Valuation Revenue Recognition

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory Valuation

Key audit matter description	The inventory held by the Group is a key and material area to the financial statements and accounts for a large amount of the Group's current assets. Due to the nature of the Group's operations, the inventory balance is inherently linked to both the purchases and the sales cycles. Typically, inventory consists of the goods that are sold to the various franchisees, including sponges, food product and also other non-perishable items such as equipment and boxes. We consider inventory to be a key audit matter due to its significant importance to the Group's operations, control weaknesses identified in prior periods and its linkage to multiple areas of the financial statements.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: - We attended the year end inventory counts including sample testing of inventory items recorded on inventory count sheets to physical inventory location in the warehouses and vice versa. - We performed a reconciliation between the inventory report and the balance sheet amount including discussions with management regarding any discrepancies. - We reviewed the inventory listing and inventory physically present in the warehouses for any slow-moving or obsolete inventory items which require write off or provisioning. - We performed substantive testing for a sample of inventory items held at the year end to the original purchase invoice and also to post year-end sales to ensure inventory is held at the lower of cost and net realisable value in the accounts. - We involved internal IT auditors to assess the IT general controls, including the IT controls in relation to the inventory system, which fed into our overall assessment of the control environment.
Key observations	Controls weaknesses were identified during our inventory substantive testing. However, we consider that the impact from our sampling is immaterial to the audit and have not identified any issues with the valuation of inventory.

Revenue Recognition

Key audit matter description	The Group has a number of separately identifiable revenue streams that can be broken down into their different components for financial reporting purposes. Revenue and the costs associated with generating that revenue must be recognised in line with fulfilling the performance obligations under IFRS15 in the appropriate period.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: - We obtained a detailed understanding of the internal processes, systems and controls surrounding revenue recognition and subsequently performed a walkthrough test of each of the key revenue streams from start to finish, to check the design and implementation of those controls. - We completed cut-off testing by selecting a sample of sales transactions across the various streams either side of the year end to ensure the revenue has been accounted for in the correct period. - We confirmed that all new franchises in the year have a double signed contract in place and ensured that each has associated shop build revenue and challenge management if any discrepancies. - We used data analytics for the revenue cycle to identify any transactions which do not fall into the typical cycle that we would expect, these have been discussed with management and supporting documentation requested where necessary. - Substantive testing has been carried out across the different income streams by picking samples from the initial point of sale and tracing to the appropriate supporting documentation. - We completed a review of revenue recognised in light of IFRS15 with particular attention given to the franchise setup fees and considered whether the accounting policies were in accordance with the requirements of IFRS15 and applied appropriately. - We used an IT Auditor to assess the design and implementation and operating effectiveness of the general IT controls and automated controls for the financial applications.
Key observations	No material issues have been identified from the audit procedures carried out on revenue recognition.

Independent Auditor's Report *continued*
to the Members of Cake Box Holdings Plc

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	£272,000 (2022: £333,000)	£18,300 (2022: £22,500)
How we determined it	5% of profit before tax (2022: 4.3% of EBITDA)	2% of gross assets (2022: 2.6% of gross assets)
Performance materiality	£190,400 (2022: 199,800)	£12,800 (2022: £13,500)
How we determined it	70% of overall materiality (2022: 60%)	70% of overall materiality (2022: 60%)
Rationale for the benchmark applied	We consider profit before tax to be the main measure by which the users of the financial statements assess the financial performance and success of the Group. Therefore, we consider this to be the most appropriate benchmark for Group materiality.	The Parent Company is largely a holding company incurring limited costs and therefore gross assets has been considered the most appropriate benchmark for materiality.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered our understanding of the entity, including the quality of the control environment and whether we were able to rely on controls, and the nature, volume and size of uncorrected misstatements in the previous period.

We agreed with management that we would report to them all audit differences in excess of £13,600 (2022: £16,650) for the Group and £915 (2022: £1,125) for the Company as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to management on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Overview of the scope of the Group and Parent Company audits

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

The Group consists of 3 components, all of which are based in the UK and audited by the Group audit team.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	3	100%	100%	100%
Total	3	100%	100%	100%

The control environment

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle.

We deployed our internal IT audit specialists to obtain an understanding of the general IT environment, however we did not place reliance on the IT general controls operating across the Group.

Climate-related risks

In planning our audit and gaining an understanding of the Group and Parent Company, we considered the potential impact of climate-related risks on the business and its financial statements. We held discussions with management to understand their process for identifying and assessing those risks and reviewed supporting documentation where available.

We have agreed with managements' assessment that climate-related risks are not material to these financial statements.

Reporting on 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.

Strategic report and directors' report

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

- the information given in the strategic report and 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.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

Independent Auditor's Report *continued*
to the Members of Cake Box Holdings Plc

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 Group's and the Parent 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 Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Group.
- We enquired of the directors and management concerning the Group's and the Parent Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We discussed among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- We have undertaken a review of minutes of meetings of those charged with governance.
- We have undertaken a review of all internal audit reports prepared.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in any accounting.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board and audit committee meetings, inspection of legal documents and list of cases;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - Holding discussions with the Group's legal advisors to ascertain any ongoing claims or issues during the year.
  - Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
  - Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
  - Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for claims incurred but not reported.
- the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Moyser FCA FCCA
Senior Statutory Auditor

for and on behalf of MHA, Statutory Auditor

London, United Kingdom

25 June 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

Company Registration No. 08777765

	Note	**2023** **£**	As restated 2022 £
Revenue	3	**34,800,941**	32,964,846
Cost of sales		**(17,626,671)**	(17,133,685)
Gross profit		**17,174,270**	15,831,161
Administrative expenses before exceptional items			
Exceptional items		**(11,595,228)**	(8,794,413)
Exceptional items	10	**–**	781,965
Administrative expenses	4	**(11,595,228)**	(8,012,448)
Operating profit	5	**5,579,042**	7,818,713
Finance income	6	**25,019**	1,802
Finance expense	6	**(160,494)**	(83,190)
Profit before income tax		**5,443,567**	7,737,325
Income tax expense	11	**(1,206,896)**	(1,425,709)
Profit after income tax		**4,236,671**	6,311,616
Other comprehensive income for the year			
Revaluation of freehold property	13	**187,665**	1,250,175
Deferred tax on revaluation of freehold property	12	**(35,656)**	(237,533)
Total other comprehensive income for the year		**152,009**	1,012,642
Total comprehensive income for the year		**4,388,680**	7,324,258
Attributable to:			
Equity holders of the parent		**4,388,680**	7,324,258
Earnings per share			
Basic	34	**10.59p**	15.78p
Diluted	34	**10.59p**	15.78p

The notes on pages 54 to 79 form an integral part of these financial statements.

Consolidated Statement of Financial Position

Company Registration No. 08777765

	Note	**2023 £**	As restated 2022 £	As restated 01 April 2021 £
Assets				
Non-current assets				
Intangible assets	15	**399,186**	107,273	–
Property, plant and equipment	13	**11,267,783**	10,252,748	8,791,072
Right-of-use assets	16	**2,574,490**	2,874,430	–
Loans to franchisees	19	**508,532**	710,059	656,004
Deferred tax asset		**–**	–	95,447
		14,749,991	13,944,510	9,542,523
Current assets				
Inventories	17	**2,790,724**	2,468,921	1,902,171
Trade and other receivables	18	**2,683,621**	2,553,209	2,490,217
Other financial assets	19	**245,880**	357,548	382,808
Cash and cash equivalents	32	**7,353,583**	6,571,558	5,125,864
		13,073,808	11,951,236	9,901,060
Total Assets		**27,823,799**	25,895,746	19,443,583
Equity and liabilities				
Equity				
Issued share capital	20	**400,000**	400,000	400,000
Capital redemption reserve	21	**40**	40	40
Share option reserve	21	**–**	–	488,596
Revaluation reserve	21	**3,786,743**	3,634,734	2,622,092
Retained earnings	21	**13,552,572**	12,742,989	8,877,886
Equity attributable to the owners of the parent company		**17,739,355**	16,777,763	12,388,614
Current liabilities				
Trade and other payables	24	**3,766,413**	2,661,372	3,353,749
Lease liabilities	16	**270,117**	260,191	–
Short-term borrowings	23	**104,498**	167,754	167,754
Current tax payable		**294,262**	837,946	903,469
Provisions	25	**243,100**	243,100	486,319
		4,678,390	4,170,363	4,911,291
Non-current liabilities				
Lease liabilities	16	**2,429,838**	2,699,958	–
Borrowings	23	**1,132,292**	1,185,978	1,318,005
Deferred tax liabilities	12	**1,843,924**	1,061,684	825,673
		5,406,054	4,947,620	2,143,678
Total Equity and liabilities		**27,823,799**	25,895,746	19,443,583

The financial statements were approved and authorised for issue by the Board on 25 June 2023 and signed on its behalf by:

S R Chamdal
Director

The notes on pages 54 to 79 form an integral part of these financial statements

Consolidated Statement of Cash Flows
For the year ended 31 March 2023

	Note	2023 £	As restated 2022 £
Cash flows from operating activities			
Profit before income tax		**5,443,567**	7,737,325
Adjusted for:			
Depreciation	4 & 13	**831,681**	853,633
Depreciation of right-of-use assets	4 & 16	**299,940**	124,975
Profit on disposal of tangible fixed assets		**(50,733)**	(13,154)
(Increase)/decrease in inventories		**(321,803)**	(566,749)
(Increase)/decrease in trade and other receivables		**(360,950)**	(82,993)
Decrease/(increase) in other financial assets		**263,307**	(28,794)
Increase/(decrease) in trade and other payables		**1,105,042**	(915,596)
Increase in provisions		**280,425**	–
Share based payment (credit)/charge		**–**	(486,368)
Finance income		**(25,019)**	(1,802)
Cash generated from operations		**7,465,457**	6,620,477
Finance costs		**160,494**	83,190
Taxation paid		**(1,341,087)**	(1,407,391)
Net cash inflow from operating activities		**6,284,864**	5,296,276
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,961,233)**	(1,133,926)
Proceeds from sale of property, plant and equipment		**61,003**	16,014
Interest received		**25,019**	1,802
Net cash outflow from in investing activities		**(1,875,211)**	(1,116,110)
Cash flows from financing activities			
Repayment of finance leases		**(260,192)**	(39,255)
Repayment of borrowings		**(116,942)**	(132,027)
Dividends paid	8	**(3,090,000)**	(2,480,000)
Interest paid		**(160,494)**	(83,190)
Net cash outflow from financing activities		**(3,627,628)**	(2,734,472)
Net increase in cash and cash equivalents		**782,025**	1,445,694
Cash and cash equivalents at 1 April 2022		**6,571,558**	5,125,864
Cash and cash equivalents at 31 March 2023	32	**7,353,583**	6,571,558

The notes on pages 54 to 79 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 March 2023

	Attributable to the owners of the Parent Company					
	Share capital £	Capital redemption reserve £	Share option reserve £	Revaluation reserve £	As restated Retained earnings £	As restated Total £
At 31 March 2021	400,000	40	488,596	2,622,092	8,643,415	12,154,143
Profit for the year	–	–	–	–	6,311,616	6,311,616
Revaluation of freehold property	–	–	–	1,250,175	–	1,250,175
Deferred tax on revaluation of freehold property	–	–	–	(237,533)	–	(237,533)
Total comprehensive income for the year	–	–	–	1,012,642	6,311,616	7,324,258
Transactions with owners in their capacity as owners						
Share-based payments	–	–	(486,368)	–	–	(486,368)
Deferred tax on share-based payments	–	–	(2,228)	–	–	(2,228)
Adjustment to asset lives (see below)	–	–	–	–	330,812	330,812
Deferred tax on adjustment to asset lives (see Note 14)	–	–	–	–	(62,854)	(62,854)
Dividends paid	–	–	–	–	(2,480,000)	(2,480,000)
At 31 March 2022	**400,000**	**40**	**–**	**3,634,734**	**12,742,989**	**16,777,763**
Profit for the year	–	–	–	–	4,236,671	4,236,671
Revaluation of freehold property	–	–	–	187,665	–	187,665
Deferred tax on revaluation of freehold property	–	–	–	(35,656)	–	(35,656)
Tax rate changes	–	–	–	–	(337,088)	(337,088)
Total comprehensive income for the year	–	–	–	152,009	3,899,583	4,051,592
Transactions with owners in their capacity as owners						
Dividends paid	–	–	–	–	(3,090,000)	(3,090,000)
At 31 March 2023	**400,000**	**40**	**–**	**3,786,743**	**13,552,572**	**17,739,355**

The notes on pages 54 to 79 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

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 and franchise operator.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial information set out in this statement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. This set of financial results was approved by the Board on 25 June 2023. The financial information for the years ended 31 March 2023, 31 March 2022 and 31 March 2021 has been extracted from the statutory accounts for each year. The auditors' report on the 2023 statutory accounts was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way emphasis without qualifying its reports and (iii) did not contain statements under section S498(2) or S498(3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, this announcement does not itself contain sufficient information to comply with those standards. The Company expects to publish full financial statements that comply with International Financial Reporting Standards in August 2023.

The consolidated financial statements for the year ended 31 March 2023 have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards (UK Adopted IFRS) and those parts of the Companies Act 2006 that are applicable to companies which apply UK adopted IFRS.

The consolidated financial statements have been prepared under the historical cost convention, other than certain classes of property, plant and equipment.

The numbers presented in the financial statements have been rounded to the nearest pound (£) unless otherwise stated.

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:

Provisions – Judgement and Estimate

The Group had previously recognised provisions following a data breach which impacted the Group's website payment system. The provision relates to the fine received by the merchant service provider, and estimated costs associated including potential fines from the ICO in respect to GDPR breaches and associated legal and professional fees. Management use judgement in respect of potential fees and fines and estimates to calculate the quantum of costs.

The Group applies the Expected Cash Loss (ECL) on trade and other receivables and on loans to franchisees as set out in the accounting policy on financial instruments.

Freehold property - Judgement

Freehold properties are held at valuation. When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every 12 months.

2. Accounting policies continued

2.2 Functional and presentation currency

The currency of the primary economic environment in which the Parent and its subsidiaries operate (the functional currency) is Pound Sterling ("GBP or £") which is also the presentation currency.

2.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in Note 29 to the Company's separate financial statements.

2.4 Application of New and Revised IFRSs

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 2021. This has not had any material impact on the amounts reported for the current and prior years. These include:

		Effective date
IAS 1	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
IAS 12	Amendments requiring a company to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
IAS 1	Amendments clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability.	1 January 2024
IFRS 16	Amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction.	1 January 2024

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 Directors pay careful attention to the cost base of the Group ensuring not only that it is kept at a level to satisfy the commercial requirements but also that it remains appropriate to the level of activity of the Group and the financial resources available to it.

The current cash balance has increased by £0.8m to £7.4m, the Group continues to be cash generative.

Based on the current working capital forecast, there is no need to raise additional funds as the Group considers that they are in a position where the scenario of not meeting liabilities is remote. 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 period of at least 12 months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.7 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of sponges, fresh cream and other goods to franchisees
- Online sales of cakes and related products to customers
- Franchise package

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

2. Accounting policies continued

2.7 Revenue recognition continued

Sale of sponges and related ingredients to franchisees

For sales of goods to franchisees, revenue is recognised when control of the goods has transferred, being at the point at which the goods are dispatched. Payment of the transaction price is due within 14 days after delivery. The Group actively works with its franchisees to ensure credit terms are met and if terms are required to be extended a suitable debt recovery plan is agreed.

Online sales of cakes and related products to customers

Online sales which include click and collect sales where the franchisee has the primary responsibility for the fulfilment 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. Revenue is recognised at the date of order and payment is taken at this point.

Franchise package

The franchise package consists of up-front revenues which relate to pre and post-opening costs mainly for store fit-out; and initial set up costs to cover site selection, pre opening support, and franchisee and staff training Each part is considered distinct.

The pre and post-opening costs are required to get the new franchisee trading and are therefore recognised at a point in time which is at the end of the month in which trading commenced. Each package is tailored to a specific franchisee's needs and elements can be added or removed as appropriate which will affect the price. Each element carries its own price.

2.8 Current and deferred taxation

Current tax liabilities

Current tax for the current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of the 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.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

No material uncertain tax positions exist as at 31 March 2023. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Current taxes are calculated using tax rates and laws that are enacted or substantively enacted at the reporting date.

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. 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.

Deferred taxes are calculated using tax rates and laws that are enacted or substantively enacted at the reporting date that are expected to apply as or when the temporary differences reverses.

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.

Income taxes are recognised in profit or loss unless they relate to items recognised in other comprehensive income or equity, in which case the income tax is recognised in other comprehensive income or equity respectively.

2.9 Property, Plant and Equipment – held at cost

Property, plant and 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.

2. Accounting policies continued

2.9 Property, Plant and Equipment – held at cost continued

Depreciation is provided on the following annual basis:

Freehold property improvements	–	Over 4 to 30 years
Plant & machinery	–	4 years
Motor vehicles	–	4 years
Fixtures & fittings	–	Over 4 to 12 years
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 become available for 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 or 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 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 or 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 Group becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables without a significant financing component are initially measured at transaction price which approximates fair value at the transaction date. 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. All trade receivables are subsequently measured at amortised cost. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed. Impairment allowance 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 allowances are recorded in a separate allowance account with the loss being recognised in the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans to franchisees

Loans to franchisees include an upfront charge which is spread over the term of the loan and used to calculate the effective interest rate and are initially measured at fair value and subsequently at amortised cost. At the end of each reporting period, the carrying amounts of other financial assets are reviewed on an individual balance basis and appropriate impairments is made if losses are anticipated.

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 fair value, net of transaction costs. Borrowings are subsequently carried at amortised cost under the effective interest method.

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.

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

2. Accounting policies continued

2.13 Finance costs and income

Finance costs are charged to the profit and loss 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.

Finance income is charged to the profit and loss on receipt or accrued if there is a signed agreement in place.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with maturities of three months or less from inception, 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

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (at a constant rate) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using a revised discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

2. Accounting policies continued

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 staff. 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 profit or loss 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 staff 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 liabilities are not recognised in the consolidated financial statements. They are disclosed if the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

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. The expenditure does not meet the definition of 'Development' under IAS 38.

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.

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

2. Accounting policies continued

2.22 Share-based payment

Where share options are awarded to staff, the fair value of the options (measured using the Black-Scholes model) at the date of grant is charged to the profit and loss over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each reporting 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 considers non-vesting conditions. These are either factors beyond the control of either party or factors which are within the control of one or another 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 profit or loss over the remaining vesting period.

Lapsed share options are derecognised as soon as it known that vesting conditions will not be met. Previous charges to the Statement of Comprehensive Income are credited back to this statement.

2.23 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.24 Impairment of non-financial assets

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets of CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other asset in the CGU on a pro rate basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.25 Intangible assets

Intangible Assets Policy

The purpose of this policy is to outline the guidelines and procedures for managing and accounting for intangible assets, specifically focusing on website costs, software, and ERP Systems. These assets are valuable resources that contribute to the organisation's competitive advantage and need to be properly identified, evaluated, recorded, and monitored.

1. Recognition and Initial Measurement:

a. Website costs:

Expenditures related to developing or acquiring a website should be capitalised when they meet the following criteria:

- It is probable that the future economic benefits associated with the website will flow to the organisation.
- The costs of the website can be reliably measured.
- Website costs should be amortised over their estimated useful life or expensed if they have a short, useful life.

b. Software:

Software costs should be capitalised if they meet the following criteria:

- The software is intended for internal use.
- It is probable that the organisation will derive future economic benefits from the software.
- The costs of the software can be reliably measured.
- Capitalised software costs should be amortised over their estimated useful life or expensed if they have a short, useful life.

c. ERP Systems:

The costs related to acquiring, implementing, and customising an Enterprise Resource Planning (ERP) system should be capitalised if they meet the following criteria:

- The ERP system is intended for internal use.
- It is probable that the organisation will derive future economic benefits from the ERP system.
- The costs of the ERP system can be reliably measured.
- Capitalised ERP system costs should be amortised over their estimated useful life or expensed if they have a short, useful life.

2. Accounting policies continued

2.25 Intangible assets continued

2. Subsequent Expenditure:

Subsequent expenditures related to intangible assets, such as enhancements, upgrades, or additions, should be evaluated to determine if they meet the criteria for capitalisation. If the subsequent expenditure enhances the future economic benefits or extends the useful life of the asset, it should be capitalised and added to the carrying amount of the asset. Otherwise, the expenditure should be expensed as incurred.

3. Amortisation:

Intangible assets subject to amortisation should be amortised over their estimated useful lives. The amortisation method should be applied consistently and reflect the pattern in which the asset's economic benefits are consumed or utilised.

The amortisation expense should be recorded in the organisation's financial statements.

The estimated useful lives for current and comparative periods are as follows:

Website - 4 years

Software - 4 years

ERP - 4 years

4. Monitoring and Impairment Testing:

a. Regular Reviews:

Periodic reviews should be conducted to assess the ongoing value and useful life of intangible assets.

Changes in market conditions, technology advancements, or other factors should be considered during these reviews.

b. Impairment Testing:

If indicators of impairment exist, such as a significant decline in the asset's market value or changes in the asset's usefulness, an impairment test should be performed.

If an impairment is identified, the asset's carrying amount should be reduced to its recoverable amount, and an impairment loss should be recognised in the financial statements.

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:

	2023 £	2022 £
Sales of sponge	**13,631,930**	12,301,051
Sales of food	**5,870,607**	5,479,076
Sales of fresh cream	**3,976,694**	3,442,619
Sales of other goods	**7,454,354**	7,023,665
Online sales commission	**1,001,192**	937,640
Franchise packages	**2,866,164**	3,780,795
	34,800,941	32,964,846

All revenue occurred in the United Kingdom for both financial years.

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

The Group was not reliant upon any major customer during 2023 or 2022.

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

4. Expenses by nature

The Administrative expenses have been arrived at after charging/(crediting):

	2023 **£**	As restated 2022 £
Wages and salaries	**6,140,162**	5,302,849
Travel and entertaining costs	**599,151**	372,303
Supplies costs	**481,596**	293,620
Professional costs	**1,729,948**	839,897
Depreciation	**831,681**	853,633
Amortisation of right-of-use assets	**299,940**	124,975
Rates and utilities costs	**595,697**	307,200
Property maintenance costs	**265,400**	338,817
Advertising costs	**308,564**	312,907
Other costs	**62,664**	48,212
Impairment of receivables	**280,425**	–
Exceptional items (see Note 10)	**–**	(781,965)
	11,595,228	8,012,448

5. Operating profit

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

	2023 **£**	As restated 2022 £
Depreciation of tangible and intangible fixed assets	**831,681**	853,633
Depreciation of right-of-use asset	**299,940**	124,975
Stock recognised as an expense	**17,626,671**	17,133,685
Profit on disposal of property, plant & equipment	**(50,733)**	(13,154)
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**85,000**	75,000
Fees payable to the Group's auditor and its associates for the audit of the Group's interim financial statements	**13,000**	–
Share-based payment (credit)/expense	**–**	(486,368)

The comparative figure for 'Stock recognised as an expense' has been corrected to represent the true value.

6. Net finance costs

	2023 £	2022 £
Finance expenses		
Bank loan interest	**55,686**	33,971
Finance lease interest	**104,808**	46,228
Interest on overdue tax	**–**	2,991
Finance income		
Bank interest receivable	**(25,019)**	(1,802)
	135,475	81,388

7. Staff costs

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

	2023 £	2022 £
Wages and salaries	**5,426,189**	4,737,683
Social security costs	**561,337**	456,259
Pension costs	**74,144**	56,798
Private health	**78,492**	52,109
	6,140,162	5,302,849
Reversal of share-based payment expense (Note 10)	**–**	(486,368)
	6,140,162	4,816,481

The average monthly number of staff, including Directors, for the year was 173 (2022: 155). The breakdown by department is as follows:

	2023	2022
Directors	**6**	7
Admin	**41**	31
Maintenance	**19**	17
Production & Logistics	**107**	100
	173	155

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

8. Dividends

	2023 £	2022 £
Interim dividend of 2.625p per ordinary share	**1,050,000**	–
Final dividend of 5.1p per ordinary share proposed and paid during the year relating to the previous year's results	**2,040,000**	–
Interim dividend of 2.5 per ordinary share	**–**	1,000,000
Final dividend of 3.7p per ordinary share proposed and paid during the year relating to the previous year's results	**–**	1,480,000
	3,090,000	2,480,000

Since the year end the Directors recommend payment of a dividend of 5.5p (FY22: 5.1p) per share totalling £2,200,000 (2022: £2,040,000) for the year ended 31 March 2023.

9. Directors' remuneration and key management personnel

The Directors' remuneration is disclosed within the Directors' Remuneration Report on page 32. The Executive Directors are considered key management personnel. Employers NIC paid on Directors' remuneration in the year was £90,861 (FY22: £114,388).

10. Exceptional items

	2023 £	2022 £
Lapse of share options (Note 20)	**–**	(486,368)
Reversal of accrued rates	**–**	(295,597)
	–	(781,965)

In FY22 rates costs included a credit of £295,597 related to an accrual raised in a previous year, which has been released on the basis the Directors have received confirmation it is no longer required.

11. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	**789,096**	1,340,469
Adjustments in respect of previous periods	**8,305**	(838)
Deferred tax		
Arising from origination and reversal of temporary differences	**262,433**	86,078
Effect of changes in tax rates	**142,951**	–
Adjustments in respect of previous periods	**4,111**	–
Taxation on profit on ordinary activities	**1,206,896**	1,425,709

11. Taxation continued

Factors affecting tax charge for the year

The tax assessed for the year is lower than (FY22: 19%) the standard rate of corporation tax in the UK of 19% (FY22: 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	**5,443,567**	7,737,325
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (FY22: 19%)	**1,034,279**	1,470,092
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**96,260**	11,700
Income not taxable	**(79,010)**	(22,267)
Deferred tax not provided	**–**	22
Use of super deduction allowance	**–**	(33,808)
Effect of changes in tax rates	**142,951**	808
Adjustments to tax charge in respect of prior periods	**12,416**	(838)
Total tax charge for the year	**1,206,896**	1,425,709

Factors that may affect future tax charge

At the Budget 2021 on 3 March 2021, the Government announced that the Corporation Tax rate will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. This will impact the Company's future tax charge accordingly.

12. Deferred taxation

	2023 £	As restated 2022 £
Balance brought forward	**1,061,684**	675,227
Charged to other comprehensive income:		
Deferred tax on revalued freehold property	**35,656**	237,533
Tax rate changes	**337,088**	
Charged directly to reserves:		
Employee benefits (including share-based payments)	**–**	2,228
Adjustment in respect of prior years	**–**	62,854
Charged to profit and loss:		
Accelerated capital allowances	**266,659**	(7,557)
Tax rate changes	**142,951**	–
Share-based payments	**–**	93,219
Adjustments in respect of prior periods	**4,111**	–
Other short-term timing differences	**(4,225)**	(1,820)
Balance carried forward	**1,843,924**	1,061,684

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

12. Deferred taxation continued

	2023 £	2022 £
Deferred tax liabilities		
Accelerated capital allowances	**603,425**	189,704
Other short-term timing differences	**(7,796)**	(3,571)
Property revaluations (including indexation)	**1,248,295**	875,551
	1,843,924	1,061,684

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

See Note 14 for more information for restated comparatives.

13. Property, plant and equipment

	Assets under construction £	Freehold Land and Building £	Freehold Improvements £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation							
At 1 April 2021	1,120,573	6,176,810	–	1,073,744	702,870	1,930,695	11,004,692
Additions	–	478,876	76,570	107,697	373,516	97,267	1,133,926
Disposals	–	–	–	–	(43,910)	–	(43,910)
Transfers between classes	(1,120,573)	1,120,573	–	–	–	–	–
Reclassification of Intangible assets	–	–	–	(288,205)	–	–	(288,205)
Revaluations	–	1,250,175	–	–	–	–	1,250,175
As restated at 31 March 2022	**–**	**9,026,434**	**76,570**	**893,236**	**1,032,476**	**2,027,962**	**13,056,678**
Depreciation							
At 1 April 2021	–	187,243	–	786,799	399,043	1,130,005	2,503,090
Charge for the year	–	234,191	2,162	84,866	180,840	351,574	853,633
Adjustment to asset lives (see below)	–	–	–	109,292	(23,814)	(416,290)	(330,812)
Removal of depreciation charged on Intangible assets	–	–	–	(180,932)	–	–	(180,932)
Transfers between classes (depreciation)	–	–	–	–	–	–	–
Disposals	–	–	–	–	(41,049)	–	(41,049)
As restated at 31 March 2022	**–**	**421,434**	**2,162**	**800,025**	**515,020**	**1,065,289**	**2,803,930**
Net book value							
As restated at 31 March 2022	**–**	**8,605,000**	**74,408**	**93,211**	**517,456**	**962,673**	**10,252,748**

13. Property, plant and equipment continued

	Assets under construction £	Freehold Land and Building £	Freehold Improvements £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation							
At 1 April 2022	–	9,026,434	76,570	893,236	1,032,476	2,027,962	13,056,678
Additions	–	–	711,560	50,150	481,942	371,557	1,615,209
Disposals	–	–	–	–	(112,002)	–	(112,002)
Revaluations	–	187,665	–	–	–	–	187,665
At 31 March 2023	**–**	**9,214,099**	**788,130**	**943,386**	**1,402,416**	**2,399,519**	**14,747,550**
Depreciation							
At 1 April 2022	–	421,434	2,162	800,025	515,020	1,065,289	2,803,930
Charge for the year	–	77,665	118,970	41,911	286,595	252,430	777,570
Disposals	–	–	–	–	(101,733)	–	(101,733)
At 31 March 2023	**–**	**499,099**	**121,132**	**841,936**	**699,882**	**1,317,719**	**3,479,767**
Net book value							
At 31 March 2023	**–**	**8,715,000**	**666,998**	**101,450**	**702,535**	**1,081,800**	**11,267,783**

** During the year the Directors reviewed the asset lives of the various assets and determined that some assets were still being used by the business despite being almost fully depreciated. The asset lives were amended to more appropriate lengths and the depreciation for all assets in use were adjusted.*

Assets under construction became operational during the year.

As at 31 March 2023, all freehold property was valued by independent 3rd party qualified valuers, in accordance with the RICS Valuation – Global Standards 2017 (the Red Book). During their valuation, the valuers have taken into account the various geographical areas the properties are located in and the market values of similar properties in the same areas. The Directors believe these valuations to be representative of the fair value as at the balance sheet date.

The fair value of freehold property is categorised as a level 3 recurring fair value measurement.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Property	Fair value at 31 March 2023 £	Valuation technique	Sq ft	Rate per sq ft Average
Enfield	**7,000,000**	Vacant possession	39,121	179
Coventry	**1,150,000**	Vacant possession	13,000	83
Bradford	**565,000**	Vacant possession	9,358	56
Total	**8,715,000**			

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

	2023 £	2022 £
Historic cost	**3,433,746**	3,433,746

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

14. Change in asset lives and transfer of intangible assets

During the year the Directors reviewed the fixed assets category and made adjustments to change the asset lives of various assets and determined that some assets were still being used by the business despite being almost fully depreciated. The change in asset lives was made to better align the use of the assets with the periods they were depreciated so that the charge in the profit and loss better represented that use.

The following table summarises the impact of changes in the asset lives and freehold land & buildings revaluation reserves on the Group's financial statements as at 31 March 2022.

I. Consolidated statement of financial position

	As Reported 31 March 2022 £	Adjustment £	As Restated 31 March 2022 £
Intangible assets	**–**	107,273	107,273
Property, plant and equipment	**10,029,209**	223,539	10,252,748
Right of use assets	**2,874,430**	–	2,874,430
Loans to franchisees	**710,059**	–	710,059
Total non-current assets	**13,613,698**	330,812	13,944,510
Current assets	**11,951,236**	–	11,951,236
Total assets	**25,564,934**	330,812	25,895,746
Retained earnings	**12,475,031**	267,958	12,742,989
Other reserves	**4,034,774**	–	4,034,774
Total Equity	**16,509,805**	267,958	16,777,763
Total Liabilities	**9,055,129**	62,854	9,117,983
Total equity and liabilities	**25,564,934**	330,812	25,895,746

II. Consolidated statement of profit and loss

	As Reported 31 March 2022 £	Adjustment £	As Restated 31 March 2022 £
Revenue	**32,964,846**	–	32,964,846
Cost of sales	**(17,133,685)**	–	(17,133,685)
Gross profit	**15,831,161**	–	15,831,161
Administrative expenses	**(8,012,448)**	330,812	(7,681,636)
Operating profit	**7,818,713**	330,812	8,149,525
Finance income	**1,802**	–	1,802
Finance costs	**(83,190)**	–	(83,190)
Profit before tax	**7,737,325**	330,812	8,068,137
Income tax expense	**(1,425,709)**	(62,854)	1,488,563
Profit after income tax	**6,311,616**	267,958	6,579,574
Other comprehensive income for the year	**1,012,642**	–	1,012,642
Total comprehensive income for the year	**7,324,258**	267,958	7,592,216

The Group leases one property and the term is ten years. There are no variable lease payments or commitment to short term leases.

15. Intangible assets

Reconciliation of carrying amount

	Website	Software	ERP System	Total
Cost as at 1 April 2021	144,025	60,270	57,265	261,560
Acquisitions				
External work on website	26,645	–	–	26,645
Amortisation to 31 March 2022	(108,125)	(47,754)	(25,053)	(180,932)
Restated balance at 31 March 2022	**62,545**	**12,516**	**32,212**	**107,273**
Acquisitions				
External website design work	144,784	–	–	144,784
Purchase of software	–	18,358	–	18,358
Internally developed website work	118,648	–	–	118,648
Internally developed ERP work	–	–	64,233	64,233
Amortisation charge Financial Year 2023	(28,447)	(11,347)	(14,316)	(54,110)
Balance at 31 March 2023	**297,530**	**19,527**	**82,129**	**399,186**

16. Leases

The Consolidated Statement of Financial Position shows the following amounts in relation to leases:

	Properties £
Cost	
At 1 April 2022	2,999,405
Additions	–
At 31 March 2023	**2,999,405**
Depreciation	
At 1 April 2022	124,975
Charge for the year	299,940
At 31 March 2023	**424,915**
Net book value	–
At 31 March 2023	**2,574,490**
At 31 March 2022	2,874,430

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

16. Leases continued

Lease liabilities	2023 £	2022 £
Current	**270,117**	260,191
Non-current	**2,429,838**	2,699,958
	2,699,955	2,960,149

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

Amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2023 £	2022 £
Depreciation expense of right-of-use assets	**299,940**	124,975
Interest expense on lease liabilities	**104,808**	46,228

The total cash outflow for leases amount to £365,000 (FY22: £85,483).

17. Inventories

	2023 £	2022 £
Finished goods and goods for resale	**2,790,724**	2,468,921

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

18. Trade and other receivables

	2023 £	2022 £
Trade receivables	**1,743,776**	2,002,807
Other receivables	**370,222**	280,613
Prepayments	**569,623**	269,789
	2,683,621	2,553,209

The fair value of those trade and other receivables classified as financial assets at amortised cost are disclosed in the financial instruments (Note 28).

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 (Note 29).

Trade receivables are non-interest bearing, are generally on 14-day terms and are shown net of a provision for impairment. Management's assessment is that a provision of £230,537 is required against certain receivables from franchisees.

The age profile of the trade receivables is shown in Note 29.

19. Loans to franchisees

	2023 £	2022 £
Loans to franchisees	**754,412**	1,067,607
Non-current	**508,532**	710,059
Current	**245,880**	357,548

Loans are interest free and payable in equal monthly instalments. All non-current assets are due within five years of the statement of financial position date. The carrying amount of the loans is considered to be equal to their fair value.

20. Share capital

	2023 £	2022 £
40,000,000 Ordinary shares of £0.01 each	**400,000**	400,000

All of the ordinary shares of £0.01 each carry voting rights, the right to participate in dividends, and entitle the shareholders to a pro-rata share of assets on a winding up.

21. 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.

22. Share-based payments

The Group's Share based payment scheme lapsed in 2022. The Group does not currently have a new Share based payment scheme.

23. Borrowings

	2023 £	2022 £
Non-current borrowings		
Bank loans	**1,132,292**	1,185,978
Current borrowings		
Bank loans	**104,498**	167,754

Bank loans have fixed charges over the properties to which they relate and interest of 2.15% – 2.23% above Bank of England base rate are charged on the loans. The loans are repayable in monthly instalments with final payments due between March 2024 and November 2025.

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

24. Trade and other payables

	2023 £	2022 £
Trade payables	**2,648,770**	1,994,411
Other taxation and social security	**268,635**	340,035
Other payables	**316,375**	36,497
Accruals	**532,633**	290,429
	3,766,413	2,661,372

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments (Note 27).

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.

25. Provisions

The provision includes a website data breach in 2020. The amount remaining represents potential fines in respect of the website data breach and is based upon independent legal advice. The provision for bad debts is made up of a provision for the impairment of franchisee loans of £49,888 (FY22: Nil) and a provision for the impairment of trade receivables of £230,537 (FY22: £nil)

	2023 £	2022 £
Website data breach	**243,100**	243,100

26. 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 £74,144 (FY22: £56,798). Contributions totalling £16,904 (FY22: £19,890) were payable to the fund at the statement of financial position date and are included in other payables (see Note 24).

27. 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 arm's length.

Key management personnel are only the Executive and Non-Executive Directors and details of the amounts paid to them are included within Note 9 and the Directors' Remuneration Report on page 31.

Key management personnel had an interest in dividends as follows:

	2023 £	2022 £
Sukh Chamdal	**777,435**	792,851
Jaswir Singh	**45,815**	34,473
Neil Sachdev	**2,589**	1,148
Alison Green	**464**	222
Martin Blair	**1,545**	–
	827,848	828,694

27. Related party transactions continued

During the year the Group made sales to companies under the control of the Directors. All sales were made on an arm's length basis. These are detailed as follows with Director shareholding % shown in brackets:

	2023		2022	
Mr. Sukh Chamdal	**Sales £**	**Balance £**	Sales £	Balance £
Cake Box (Crawley) Limited (0%)*	**170,370**	**11,163**	168,684	11,095
Cake Box CT Limited (0%)	**287,837**	**18,198**	280,706	19,326
Cake Box (Strood) Limited (0%)	**132,353**	**6,824**	157,247	2,241
Cake Box (Gravesend) Limited (0%)**	**159,997**	**7,744**	123,162	(1,021)
	750,557	**43,929**	729,799	31,641

* *100% Owned by Mr. Chamdal's daughter*
** *This store no longer considered a related party*

	2023		2022	
Dr Jaswir Singh	**Sales £**	**Balance £**	Sales £	Balance £
Luton Cake Box Limited (10%)	**410,560**	**18**	419,676	15,544
Peterborough Cake Box Limited (30%)	**229,149**	**(324)**	258,807	5,983
Cream Cake Limited (30%)	**246,223**	**–**	230,591	12,971
MK Cakes Limited (0%)***	**228,082**	**–**	292,202	10,532
Bedford Cake Box Limited (0%)***	**197,808**	**–**	199,553	5,436
Chaz Cakes Limited (50%)	**177,785**	**–**	266,563	6,446
Eggless Cake Company (50%)	**178,344**	**–**	194,201	9,366
	1,667,951	**(306)**	1,861,593	66,278

****100% Owned by Dr Singh's son or daughter*

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

28. Financial instruments

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. (See Note 29).

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

Financial Assets

	Held at amortised cost	
	2023 £	2022 £
Cash and cash equivalents	**7,353,583**	6,571,558
Trade and other receivables	**2,344,536**	2,116,254
Other financial assets	**804,300**	1,067,607
Impairment of trade receivables	**(230,537)**	–
Impairment of franchisee loans	**(49,888)**	–
	10,221,994	9,755,419

Financial Liabilities

	Held at amortised cost	
	2023 £	2022 £
Trade and other payables	**3,233,780**	2,584,437
Secured borrowings	**1,236,790**	1,353,732
	4,470,570	3,938,169

29. 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 Chief Financial Officer 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 counterparty 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.

29. Financial risk management continued

Credit risk and impairment continued

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 and other financial assets

The Group calculates lifetime expected credit losses for trade receivables and other financial assets using a portfolio approach. All items 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 ageing of the receivables and 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.

The age profile of the trade receivables and expected credit loss is shown in the table below:

	Expected Loss Rate	**2023 £**	2022 £
0- 30 days	0.1%	**1,509,715**	1,475,111
30 – 60 days	0.2%	**43,111**	261,482
60 – 90 days	0.5%	**32,822**	9,132
More than 90 days	1.0%	**388,665**	257,081
Impairment provision		**(230,537)**	–
Total		**1,743,776**	2,002,806

The Group applies the IFRS 9 simplified approach to measure credit losses using an expected credit loss provision for trade receivables.

The Group provides loans to franchisees when the banks were not lending to small businesses as they were focused on giving Covid Recovery loans. The loans are interest free with an upfront arrangement fee included in the loan. The loans are unsecured but if loan repayments are not kept up supply of product is stopped and franchisees are in breach of their franchisee agreement. As a result the Group has the option to resell the franchise to another interested party with the purchase price being used to first repay the loan and any outstanding trade receivables, with any excess going to the original franchisee. The loan periods are for periods of one or five years.

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

29. Financial risk management continued

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Loans whose credit risk is in line with original expectations.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail).	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 60 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off.

Interest-free loans are provided to franchisees to assist them with new store build costs. The Group does not require the franchisees to pledge collateral as security against the loan.

Over the term of the loans, the group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates and adjusts for forward-looking macro-economic data. The Group provides for credit losses against loans to franchisees as follows:

Group internal credit rating as at 31 March 2023	Expected credit loss rate	**Gross carrying amount (stage 1) £**	**Gross carrying amount (stage 2) £**	**Gross carrying amount (stage 3) £**
High	0.1%	**754,412**	**–**	**–**
Medium	10.0%	**–**	**–**	**–**
Low	20.0%	**49,888**	**–**	**–**

	Performing £	**Under-performing £**	Non-performing £	**Total £**
Individual financial assets transferred to underperforming (lifetime expected credit losses)	–	**49,888**	–	**49,888**

No significant changes to estimation techniques or assumptions were made during the reporting period.

The loss allowance for loans to franchisees as at 31 March 2022 and 31 March 2023 reconciles to the opening loss allowance for that provision as follows:

The impairment provision of £280,425 (FY22: £nil) relates £230,537 (FY22: £nil) to specifically impaired trade receivable debt and £49,888 (FY22: £nil) franchisee loans.

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.

29. Financial risk management continued

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

Borrowings

	2023 £	2022 £
Borrowings – Due within one year	**104,498**	167,754
Borrowings – Due between one to two years	**109,296**	167,754
Borrowings – Due after more than two years	**1,022,996**	1,018,224
	1,236,790	1,353,732
Right-of-use assets – Due within one year	**270,117**	260,191
Right-of-use assets – Due between one to two years	**280,425**	270,119
Right-of-use assets – Due between two to five years	**907,113**	873,777
Right-of-use assets – Due after more than five years	**1,242,300**	1,556,062
	2,699,955	2,960,149

Trade and other payables

	2023 £	2022 £
0 to 30 Days	**2,995,879**	2,049,774
30 to 60 Days	**768,490**	249,613
60 to 90 Days	**–**	17,646
90 to 120 Days	**2,044**	73,891
120 Days to 1 year	**–**	193,513
	3,766,413	2,584,437

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 100 basis-point shift (FY22: 25 basis-point) would be a change of £12,368 (FY22: £3,384).

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 Consolidated 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.

Notes to the Consolidated Financial Statements *continued*
For the year ended 31 March 2023

29. Financial risk management continued

Currency risk

The Group is not exposed to any significant currency risk. The Group manages any currency exposure by retaining a small holding in US Dollars however all other cash balances are held in Sterling.

30. Events after the reporting period

Post year end the Directors have recommended dividends of 5.5p per share (FY22: 5.1p per share).

31. 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 Limited	United Kingdom	Ordinary	100%	Franchisor of specialist cake stores
Chaz Limited	United Kingdom	Ordinary	100%	Property rental company

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

32. Notes supporting statement of cashflows

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

	2023 £	2022 £
Cash at bank available on demand	**7,353,183**	6,570,739
Cash on hand	**400**	819
	7,353,583	6,571,558

There were no significant non-cash transactions from financing activities (FY22: none).

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

	Non-current lease liabilities £	Current lease liabilities £	Non-current borrowings £	Current borrowings £	Total £
As at 31 March 2021	–	–	1,318,005	167,754	1,485,759
Cash flows					
New leases	2,999,405	–	–	–	2,999,405
Repayments	(85,484)	–	–	(167,754)	(253,238)
Non-cash flows:					
Interest	46,228	–	35,727	–	81,955
Non-current liabilities becoming current during the year	(260,191)	260,191	(167,754)	167,754	–
As at 31 March 2022	2,699,958	260,191	1,185,978	167,754	4,313,881
Cash flows					
New leases	–	–	–	–	–
Repayments	–	(365,000)	–	(172,628)	(537,628)
Non-cash flows:					
Interest	–	104,808	50,812	(4,874)	160,494
Non-current liabilities becoming current during the year	(270,119)	270,119	(104,498)	104,498	–
As at 31 March 2023	**2,429,839**	**270,118**	**1,132,292**	**104,498**	**3,936,747**

33. Ultimate controlling party

The Group considers there is no ultimate controlling party.

34. Earnings per share

	2023 **£**	2022 £
Profit after tax attributable to the owners of Cake Box Holdings Plc	**4,236,671**	6,311,616

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**40,000,000**	40,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**40,000,000**	40,000,000

	Pence	Pence
Basic earnings per share	**10.59**	15.78
Diluted earnings per share	**10.59**	15.78

Company Statement of Financial Position
As at 31 March 2023
Company no. 08777765

	Note	2023 £	2022 £
Assets			
Non-current assets			
Investments	5	**200**	200
		200	200
Current assets			
Trade and other receivables	6	**549,761**	759,359
Cash and cash equivalents	7	**365,386**	99,722
		915,147	859,081
Total assets		**915,347**	859,281
Equity and liabilities			
Issued share capital	8	**400,000**	400,000
Capital redemption reserve		**40**	40
Share option reserve		**–**	–
Retained earnings		**194,722**	121,318
Total equity		**594,762**	521,358
Current liabilities			
Trade and other payables	9	**299,187**	333,409
Current tax payable		**21,398**	4,514
		320,585	337,923
Total equity and liabilities		**915,347**	859,281

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of Cake Box Holdings Plc. Its profit after tax and total comprehensive income for the year ended 31 March 2023 was £3,163,404 (2022: £2,494,882).

The financial statements were approved by the Board on 25 June 2023 and signed on its behalf by

S R Chamdal
Director

Company Statement of Cash Flows
As at 31 March 2023
Company no. 08777765

	2023 £	2022 £
Cash flows from operating activities		
Profit before income tax	**3,184,802**	2,498,538
Adjusted for:		
Decreased in trade and other receivables	**8,929**	(21,502)
(Increase)/decrease in amounts owed by Group entities	**200,669**	(213,022)
(Decrease)/increase in trade and other payables	**(34,222)**	80,715
Cash generated in operations	**3,360,178**	2,344,729
Taxation paid	**(4,514)**	(15,122)
Net cash inflow from operating activities	**3,355,664**	2,329,607
Cash flows from financing activities		
Dividends paid	**(3,090,000)**	(2,480,000)
Net cash outflow in from financing activities	**(3,090,000)**	(2,480,000)
Net increase in cash and cash equivalents	**265,664**	(150,393)
Cash and cash equivalents brought forward	**99,722**	250,115
Cash and cash equivalents carried forward	**365,386**	99,722

The notes on pages 83 to 86 form part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 March 2023

	Share capital £	Capital redemption reserve £	Share option reserve £	Retained earnings £	Total £
At 31 March 2021	400,000	40	488,596	106,436	995,072
Total comprehensive income for the year	–	–	–	2,494,882	2,494,882
Transactions with owners in their capacity as owners					
Share based payments	–	–	(488,596)	–	(488,596)
Dividends paid	–	–	–	2,480,000	(2,480,000)
At 31 March 2022	**400,000**	**40**	**–**	**121,318**	**521,358**
Total comprehensive income for the year	–	–	–	3,163,404	3,163,404
Transactions with owners in their capacity as owners					
Share based payments	–	–	–	–	–
Dividends paid	–	–	–	(3,090,000)	(3,090,000)
At 31 March 2023	**400,000**	**40**	**–**	**194,722**	**594,762**

Notes to the Company Financial Statements
For the year ended 31 March 2023

1. Accounting policies

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 54 to 61. The following are additional policies applicable to the Company.

1.1 Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment which are considered annually by the Directors.

2. Staff costs

The average number of staff, including Directors, during the year was 6 (2022: 7). The Directors received remuneration during the year as detailed in Note 4.

3. Dividends

	2023 £	2022 £
Interim dividend of 2.625p per ordinary share	**1,050,000**	–
Final dividend of 5.1p per ordinary share proposed and paid during the year relating to the previous year's results	**2,040,000**	–
Interim dividend of 2.5p per ordinary share	**–**	1,000,000
Final dividend of 3.7p per ordinary share proposed and paid during the year relating to the previous year's results	**–**	1,480,000
	3,090,000	2,480,000

4. Directors' remuneration

The Directors' remuneration is disclosed within the Directors' Remuneration Report on page 32. The Executive Directors are considered key management personnel. Employers NIC paid on Directors' remuneration in the year was £90,861 (2022: £114,388).

5. Investment in subsidiary undertakings

	Investments in subsidiary companies £
Cost	
At 1 April 2021	488,796
Impairment	(488,596)
At 31 March 2022	200
Impairment	–
At 31 March 2023	**200**
Net book value	
At 31 March 2023	**200**
At 31 March 2022	200

The impairment represents the lapse of share-based payments which had been previously additions to the value of investments as they were to be settled in the Company's equity for services received by a subsidiary company.

Notes to the Company Financial Statements *continued*
For the year ended 31 March 2023

5. Investment in subsidiary undertakings continued

The following companies are the principal subsidiary undertakings at 31 March 2023 and are all consolidated:

Subsidiary undertakings	Country of incorporation	Class of share	Percentage of shares held
Eggfree Cake Box Limited	England and Wales	Ordinary	100%
Chaz Limited	England and Wales	Ordinary	100%

The subsidiary undertakings share the same registered office as that of the Company and their principal activity for the last relevant financial year was as follows:

Subsidiary undertakings	Principal activity
Eggfree Cake Box Limited	Franchisor of specialist cake stores
Chaz Limited	Property rental company

6. Trade and other receivables

	2023 £	2022 £
Amounts receivable from subsidiaries	**526,841**	727,510
Accrued income	**–**	20,000
Prepayments	**22,920**	11,849
	549,761	759,359

7. Cash and cash equivalents

	2023 £	2022 £
Cash at bank	**365,386**	99,722

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 March 2023:

	2023 £	2022 £
Cash at bank	**365,386**	99,722

8. Issued share capital

	2023 £	2022 £
40,000,000 Ordinary shares of £0.01 each	**400,000**	400,000

All shares rank equally in all respects.

9. Trade and other payables

	2023 £	2022 £
Trade payables	**25,003**	51,599
Other taxation and social security	**163,986**	235,318
Other payables	**587**	1,096
Accruals	**109,611**	45,396
	299,187	333,409

10. Capital Commitments

There were no capital commitments at the end of 2023 and 2022.

11. Key management personnel compensation

Key management personnel compensation is disclosed in Note 9 to the Consolidated Financial Statements.

12. Related party disclosures

The following transactions and balances occurred with related parties:

	2023 £	2022 £
Amounts due from own subsidiaries	**526,841**	727,510
Management charges to own subsidiaries	**1,800,000**	1,473,333
Dividends received from own subsidiaries	**3,090,000**	2,480,000

The above amounts due from own subsidiaries are interest free and repayable on demand.

13. Financial instruments

Details of key risks are included at Note 28 to the Consolidated Financial Statements.

Accessing significant increases in credit risk

The Company undertake the following procedures to determine whether there has been a significant increase in the credit risk of its other receivables, including Group balances, since their initial recognition. Where these procedures identify a significant increase in credit risk, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

The Company's Group receivables represent trading balances and interest free amounts advanced to other Group companies with no fixed repayment dates.

The Company determines that credit risk has increased significantly when:

- there are significant actual or expected changes in the operating results of the Group entity, including declining revenues profitability or liquidity management problems, or;
- there is existing or forecast adverse changes to the business, financial or economic conditions that may impact the Group entity's ability to meet its debt obligations, and;
- the Group entity is unable to rely on the support of other Group entities to meet its debt obligations.

No impairment has been recognised in respect of this (2022: £nil).

The Company calculates lifetime expected credit losses for trade receivables and other financial assets using a portfolio approach. All items 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 ageing of the receivables and historical data about default rates on the same basis. That data is adjusted if the Company 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 Company 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 including other financial assets is 0% on the basis of the Group's history of bad debt write offs. Amounts owed by Group entities can be settled via property. Where the value of the property exceeds the amounts due on the loan the ECL is deemed to be £nil.

As at 31 March 2023, the total loss allowances against the Group's financial assets were immaterial and no charge to the income statement was recognised.

Notes to the Company Financial Statements *continued*
For the year ended 31 March 2023

13. Financial instruments continued

Categories of financial instruments

Financial Assets at amortised cost

	Held at amortised cost	
	2023 £	2022 £
Cash and cash equivalents	**365,386**	99,722
Trade and other receivables	**526,841**	747,510
	892,227	847,232

Financial Liabilities

	Held at amortised cost	
	2023 £	2022 £
Trade and other payables	**135,201**	98,091

14. Ultimate controlling party

There is no ultimate controlling party.

Company Information

Directors

N Sachdev	Independent Non-Executive Chair
S R Chamdal	Chief Executive Officer
M Botha	Chief Financial Officer
Dr J Singh	Chief Commercial Officer
A Batty	Independent Non-Executive Director
M Blair	Independent Non-Executive Director
A Green	Independent Non-Executive Director

Company secretary

L Park

Company number

08777765 (England and Wales)

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Auditor

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Registrars

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& Shore Capital Stockbrokers Limited
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