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Cake Box Holdings PLC
26 June 2023

Cake Box Holdings plc

("Cake Box", "the Company" or "the Group")

Audited Full Year Results for the 12 months ended 31 March 2023

Steady progress, investment in growth and robust current trading, confident of further progress

Cake Box Holdings plc, the specialist retailer of fresh cream cakes, today announces its audited full year results for the twelve months ended 31 March 2023.

Financial Highlights

	Full year ended 31-Mar-23	Full year ended 31-Mar-22 *(as restated)*	Change***
Revenue	£34.8m	£33.0m	*5.6%*
Gross profit	£17.2m	£15.8m	*8.5%*
EBITDA*	£6.7m	£8.8m	*(24.3%)*
Adjusted EBITDA **	£6.7m	£8.0m	*(16.9%)*
Pre-tax profit	£5.4m	£7.7m	*(28.6%)*
Adjusted pre-tax profits **	£5.4m	£7.0m	*(22.9%)*
Cash at Bank	£7.4m	£6.6m	*11.9%*
Earnings per share	10.6p	15.8p	*(31.7%)*
Final dividend recommended	5.5p	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).
- Dividend per share for the full year: 5.5 pence per share recommended. (Interim dividend of 2.625 pence per share).

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.

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

Sukh Chamdal, Chief Executive Officer, commented:

"During the year we have continued to innovate to meet the needs of our customers, worked on improving our operational infrastructure despite facing a unique set of macro-economic pressures and continued to grow sales and margins. We are looking at new ways to reach our customers and the new website offers many new marketing opportunities.

We have continued with our steady store opening program to add to the 205 Cake Box shops we had at year end. As we approach the 250 target number of stores we set ourselves at our IPO almost 5 years ago to the day, we continue to look to stretch ourselves with a new target of 400 and new ways to provide the UK consumer with our unique egg-free fresh cream cakes.

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."

A recording of our results presentation will be available on Investor Meet Company via the link:
https://www.investormeetcompany.com/cake-box-holdings-plc/register-investor

For further information, please contact:

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Chairman's Statement

Sustainable growth

The past year has been filled with challenges for Cake Box, but we have successfully navigated through them and emerge 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 6 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 twelve 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

Chief Executive's review

Meaningful progress, well positioned for growth

A resilient business

Cake Box performed resiliently during the year, with revenue growth of 5.6% and total franchisee sales growth of

Cake Box performed resiliently during the year, with revenue growth of 5.6% and total franchisee 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.

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 June 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 franchise store 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 twelve 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

Financial Review

	FY23	As restated FY22
	£m	£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**

Another year of growth when the headwinds of economic pressure were very much against us confirms the resilient nature of the Cake Box model. Franchisee total turnover increased 9.6% to £72.1m.

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 in deferred tax calculations.

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 5.5 pence per share (FY22: 5.1 pence*)*, bringing the total dividend for the year to 8.125 pence per share (FY22: 7.6 pence*)*.

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

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

Cake Box Holdings Plc

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		**(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:		**4,388,680**	7,324,258
Equity holders of the parent			
Earnings per share			
Basic	34	**10.59**	15.78p
Diluted	34	**10.59**	15.78p

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

Cake Box Holdings Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	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	**3,786,742**	3,634,734	2,622,092
Retained earnings	21	**13,552,573**	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

Company Registration No. 08777765

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 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)
(Increase)/decrease in other financial assets		**263,307**	(28,794)
(Decrease)/increase 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 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

				Attributable to the owners of the Parent Company		
					As restated	*As restated*
	Share capital £	Capital redemption reserve	Share option reserve	Revaluation reserve	Retained earnings	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						

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 adjust to asset live	-	-	-	-	(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 form an integral part of these financial statements.

Cake Box Holdings Plc

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 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.

2.2 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 IFRS's

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

		Effective Date
IAS 1	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 twelve 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

		Effective Date
IAS 1 & IAS 8	Amendments regarding the disclosure of accounting policies and amendments regarding the definition of accounting estimates.	1 January 2023
IAS 12	Amendments to deferred Tax Related to Assets and Liabilities arising from a Single Transaction.	1 January 2023

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 twelve 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

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 judgments 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.

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

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.

2.13 Financial instruments

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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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

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.

2.20 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.

2.21 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.

2.22 Fair value measurement

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

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

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

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

2.23 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.

2.24 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.

2.25 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.

2.26 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.

3. 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.

4. 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

5. 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.

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 fixed assets	**831,681**	522,821
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)

6. Net finance costs

	2023	2022
<u>Finance expenses</u>	**£**	£

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 (FY22 - 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

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 5.5 pence (FY22 - 5.1 pence) per share totaling £2,120,000 *(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 31. 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

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	**(4,226)**	(1,820)
Balance carried forward	**1,843,923**	1,061,684

	2023	2022
	£	£
Deferred tax liabilities		
Accelerated capital allowances	**603,425**	189,704
Other short-term timing differences	**(7,797)**	(3,571)
Property revaluations (including indexation)	**1,248,295**	875,551
	1,843,923	1,061,684
	1,843,923	1,061,684

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

See note 20 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	2162	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 31 at March 2022	**-**	**8,605,000**	**74,408**	**93,211**	**517,456**	**962,673**	**10,252,748**

	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**

Assets under construction became operational during the year.

* 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.

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

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		As Restated

	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
Others	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

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
Disposals	-	-	-	-
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
Disposals	-	-	-	-
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**
Net book value	
At 31 March 2022	**2,874,430**

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

Lease liabilities	**2023**	2022
	£	£
Current	**270,118**	260,191
Non-current	**2,429,838**	2,699,958
	2,699,956	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 26).

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 27).

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 £xx is required against certain receivables from franchisees.

The age profile of the trade receivables is shown in Note 27

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:

<u>Capital redemption reserve</u>
Amounts transferred from share capital on redemption of issued shares.

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

<u>Retained earnings</u>
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

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
	1,132,292	1,185,978
Current borrowings		
Bank loans	**104,498**	167,754
	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.

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
	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 totaling £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 22).

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 arms-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 the Annual Report.

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

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

Mr. Sukh Chamdal		**2023**		2022
	£	**£**	£	£
	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

Dr Jaswir Singh		**2023**		2022
	£	**£**	£	£
	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

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 (See note 87).

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	**3,233,781**	2,584,437
Secured borrowings	**1,236,790**	1,353,732
	4,470,571	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:

29. Financial risk management (continued)

Credit risk and impairment

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

Definition of default

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

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

Determination of credit-impaired financial assets

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

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

Write-off policy

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

Impairment of trade receivables 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 aging 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.

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 macroeconomic 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 under-performing (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.

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

Borrowings

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	**270,118**	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
	2,699,956	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	**2,045**	73,891
120 Days to 1 year	**-**	193,513
	3,766,414	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.

Currency risk

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 5.5 p per share (FY22 - 5.1 p 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 cashflows 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