Eggfree Cake Box

Cake Box Holdings Plc
Annual Report and Accounts

2022

Welcome to Cake Box Annual Report and Accounts 2022

WE ARE BRITAIN'S LEADING EGG-FREE CELEBRATION CAKE FRANCHISE OPERATING OVER 180 STORES NATIONWIDE

OUR VALUES

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

Unity
Equality and neutrality

Playful
Fun, passion and indulgence

Sustainable
Environmentally and socially responsible

We pride ourselves in using the finest quality ingredients and taking the utmost care in the production of our cakes. It is a great honour for us to share our customers' most important occasions, and we pride ourselves in delivering first-rate customer service as well as delicious and beautiful cakes.

OPERATIONAL HIGHLIGHTS

- 41% growth in online sales
- Exceptional number of new franchise store openings with 31 opened in the year (2021: 24)
- 185 franchise stores in operation at the end of FY22 (2021: 157)
- Continued expansion of kiosk offering, now with 15 supermarket kiosks (2021: 5), in addition to 20 kiosks in shopping malls (2021:16)
- New warehouse opened in Enfield in December 2021 to support ongoing expansion.

FINANCIAL HIGHLIGHTS

- Group revenue up 50.7% to £33.0m (2021: £21.9m)
- Gross margin reduced to 47.9% (2021: 49.8%), due to exceptional increase in new store openings
- Cash from operations of £5.3m (2021: £4.3m)
- Strong balance sheet with £6.6m cash at period end (2021: £5.1m)
- Dividend per share for the full year: 5.1 pence per share recommended (interim dividend of 2.5 pence per share).

CURRENT TRADING[1] AND OUTLOOK

- Sales have remained robust post period end against a very strong comparative trading period in FY22. However, the Board remains mindful of an increasingly challenging economic and trading environment
- We continue to increase our geographic presence with a strong store opening programme to drive future growth, whilst investing in marketing to grow brand awareness and strengthen our digital capabilities
- We have continued to invest in strengthening the Group's senior leadership team and internal functions to improve governance and processes and to support a larger franchise estate.

FRANCHISE STORE HIGHLIGHTS

- Like-for-like[2] sales growth of 12% in franchise stores over a 10-month period to 31 March 2022[3]
- Franchisee total turnover up 55% to £66.0m (2021: £42.7m)
- Franchisee online sales up 41% to £13.3m (2021: £9.4m).

1 Current trading defined as average store turnover for last 12 weeks to week ended 27 June 2022.
2 Like-for-like: Stores trading for at least one full financial year prior to 31 March 2022.
3 Trading was affected by COVID lockdowns and associated store closures during the first two months of FY22.

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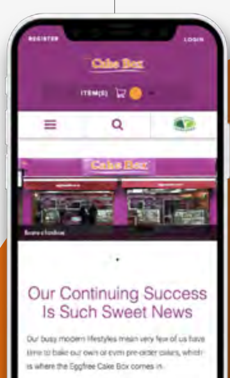


VISIT US

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

https://investors.eggfreecake.co.uk

About Us

OUR SUCCESS IS DUE TO THE DEDICATION OF OUR CAKE BOX FAMILY, INCLUDING OUR VALUED CUSTOMERS

The Cake Box journey began back in 2008 when we opened one small store in the heart of East London, prompted by our founder's daughter requesting an egg-free cake for her birthday. 14 years later and our mission remains the same: to provide the UK market with delicious and personalisable fresh cream celebration cakes that happen to be egg-free (you'd never know the difference). We provide cakes to order and ready to select from store displays, with on-the-spot personalisation. Over the past year, our online ordering platform and one hour Click & Collect order service have seen a sharp increase in demand.

We continue to see unprecedented business growth. We now have 185 franchised stores, in addition to kiosks within shopping centres and supermarkets on the British mainland. These are monitored by our regional managers who audit and support stores, led by a field operations manager who reports to the Chief Operating Officer.

We refer to ourselves as the Cake Box Family because our success is not only due to our commitment as a brand but also our people, franchisees and customers. This was never more meaningful than during COVID-19, when our franchisees and employees worked tirelessly to support their colleagues, customers and communities. Through a joint effort, we implemented safety measures across our stores, head office and distribution hubs that not only exceeded the government criteria but have made us a more resilient business as a result.

As the social distancing rules have relaxed, we have kept our safety measures in place. And the queues outside our high street stores have in fact served to make us more visible to customers.

As in previous years, we continue to work with our Primary Authority Partnership – The London Borough of Enfield – a government-backed scheme which allows businesses to partner with local authorities and receive tailored and assured advice on meeting environmental, health, safety and other trading standards. We are currently working with them to re-structure our bakery and warehouse, in order to maintain our high standards.

Our recipes retain the taste, texture and appearance of the cakes that have brought us to where we are today. By using only the finest ingredients and staying true to our commitment of quality and value, our customers continue to receive a delicious, high-quality product every time. And by cultivating a diverse supplier base, we can ensure continuity and competitiveness in pricing, as well as an ethical supply chain.

At the same time, we are always reaching forward. Our research and development team constantly works to expand our product range to keep it current and on-trend. We have strengthened our marketing team so we can develop new and innovative ways to engage with our customers in-store, online and on social media platforms. We have introduced in-store interactive screens to let customers browse and place orders without the need for an assistant, and our website is constantly being reviewed to keep it fresh in both content and functionality.

One of our biggest challenges has been how to develop a delivery option which works for the delicate cake products we produce. We have overcome this by using local taxi companies rather than the more usual motorbike and rucksack model and we are delighted to see the phenomenal uptake by Cake Box customers.

Our growth

We established the original Cake Box franchise model in late 2008 and had opened our first franchised store by 2009. We have continued to add stores with a steady growth rate over the last 14 years, opening our 50th store in 2016, our 100th store in 2018 and 150th store in early 2021. This growth has been beyond our expectations, but we are also mindful to grow steadily and sustainably, selecting new locations carefully using a strengthened property team. At the same time, our pipeline of waiting prospective franchisees remains strong.

In June 2018, we hit a new milestone when we were listed on the London Stock Exchange's Alternative Investment Market (AIM) which further accelerated our growth. We will continue to expand and grow in high streets across the UK, both in our store and kiosk openings.

Our Business at a Glance

WE ARE WELL POSITIONED TO EXTEND OUR FOOTPRINT IN THE UK MAINLAND

Cake Box is a national brand with big ambitions. Our infrastructure allows for future growth and operational efficiencies.

As at 31 March 2022 we had:

3
Distribution centres

1
Bulk storage facility

185
Total stores

31
New stores opened

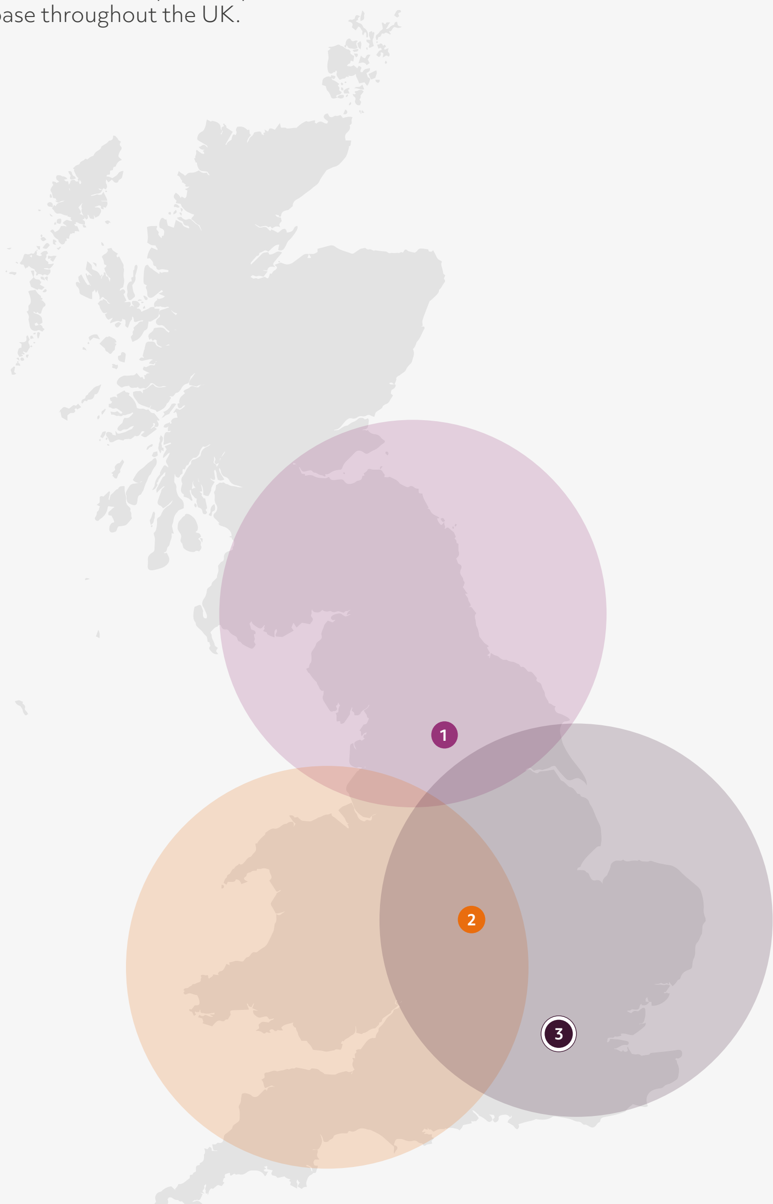
3
Stores closed during the year

164
Employees

92
Franchisees

OUR STRONG PRESENCE

Our three distribution and manufacturing hubs in Enfield, Coventry and Bradford allow us to continue our expansion plans; to serve new territories and reach a broader customer base throughout the UK.



1 **Bradford:**
Bakery and North distribution centre

2 **Coventry:**
Bakery and Midlands and South West distribution centre

3 **Enfield Head Office:**
Bakery and South East distribution centre

Bulk storage facility (also in Enfield)

FINANCIAL HIGHLIGHTS

Revenue

£33.0m +50.7%

2022	£33.0m
2021	£21.9m

Gross profit

£15.8m +45.0%

2022	£15.8m
2021	£10.9m

EBITDA*

£8.8m +79.6%

2022	£8.8m
2021	£4.9m

Pre-tax profit

£7.7m +83.3%

2022	£7.7m
2021	£4.2m

Adjusted Pre-tax profit**

£7.0m +48.9%

2022	£7.0m
2021	£4.7m

Cash at bank

£6.6m +29.4%

2022	£6.6m
2021	£5.1m

Earnings per share

15.8p +88.1%

2022	£15.8p
2021	£8.4p

Adjusted earnings per share**

13.8p +43.8%

2022	£13.8p
2021	£9.6p

Final dividend recommended

5.1p +37.8%

2022	£5.1p
2021	£3.7p

* Calculated as operating profit before depreciation and amortisation.

** Calculated after adjusting for exceptional items in 2022 +£782k (2021 -£486k).

Our Story

WE CONTINUE TO EVOLVE BRAND PRESENCE AND PRODUCT AVAILABILITY

2008

- Sukh Chamdal opens first Cake Box store (East London).

2009

- Pardip Dass joins Sukh to start the Cake Box franchise using a £25,000 start-up loan from NatWest Bank.

> Our family's favourite cake!! Ordered it for my sister's graduation and it was perfect. The cream is so fresh!! The most tastiest cake ever!! Highly recommend. Amazing customer service as always! Thank you so much.
>
> **Amanda**
>
> 1 July 2022
> Store: Preston

2010

- Dr Singh joins as Commercial Director.
- Franchisees recruited to open stores in Bow, Walthamstow and Slough. Total number of stores now 5.

2011

- First outside of London store opened with record sales (Leicester).

2012

- Further stores open in Birmingham and Luton bringing a total of 15 stores, serving more than 2,500 customers per week.

2013

- 5,000 sq. ft. baking and warehousing facility acquired to accommodate up to 35 stores.

2014

- 30th store opens (Nottingham), Group sales surpass £200,000 per week.

2015

- Freehold purchase of current 40,000 sq. ft. Enfield warehouse, manufacturing & distribution facility. Production capabilities increase by 500%.

2016

50th franchised store opens in Watford. First Cake Box opens in Scotland.

2017

Automated cheesecake line installed at Enfield. Sales skyrocket.

> My daughter turned 19 on Saturday ordered her cake and was so amazed with her cake it was reasonably priced and tasted amazing I was so happy I cried when I picked it up. The staff was amazing too thank you thank you for making her day so special thank you.
>
> **Chantelle**
>
> 21 October 2021
> Store: Brixton

2018

Cake Box listed on AIM Market (27 June). 100th store opens in Bletchley.

2020

Due to COVID-19 all stores close for a period of six weeks in the first lockdown. Partnered with the delivery platforms Uber Eats, Just Eat & Deliveroo. Home delivery option added to our website.

2021

150th store opens in Romford. Coventry warehouse and distribution centre opens in conjunction with the Bradford warehouse and distribution centre, adding greater capacity and reducing road miles by more than 80%.

2022

Upgraded cheesecake line installed at Enfield to improve efficiency and production processes.

27,000 sq. ft. bulk warehouse leased to add storage and distribution to maintain supply chain continuity.

> Very helpful, I made an error with my order, I sent an email to make the change, staff very efficient made the change and emailed me to inform me they had dealt with my error, I do recommend to my friends and family, we all really enjoy the cakes.
>
> **Tracy**
>
> 1 May 2022
> Store: Staines

Chair's Statement

WE CONTINUE TO EXPAND OUR REACH, BUILD A RESILIENT BUSINESS AND CREATE SOCIAL VALUE

> To chair a business that ultimately provides a platform to enable and encourage entrepreneurship makes me incredibly proud.

Neil Sachdev MBE
Non-Executive Chair

The Cake Box brand is a perfect example of how through collaboration we can remain strong through times of adversity, and we look forward to delivering value to our investors, customers and franchisees over the long term.

Expanding our reach

We are very pleased with our performance over the last year, with 31 new shop openings, taking our total store estate to 185, and 14 new kiosks opened across both supermarkets and shopping malls, bringing the total number to 35. Our Coventry depot is now fully operational, meaning we have Enfield serving the South of England, Bradford serving the North of England and Scotland, and Coventry serving the Midlands and Wales. Having depots in these strategic locations has also allowed us to significantly reduce our road mileage and carbon footprint. We have learned that building capability early is key to sustaining the resilience of the business.

The Board recognises and remains cognisant of the concerns previously raised by some shareholders around the Group's internal governance, finance and audit processes, and continues to work to evolve, improve and further professionalise the Group, bringing in the experience and capabilities to support our growth ambitions. We have invested significantly in Cake Box's senior management and business support functions, including the appointments of David Forth as Interim Chief Financial Officer, Richard Zivkovic as Chief Operating Officer and the creation of a new Chief Commercial Officer role for Dr Jaswir Singh.

As well as ensuring our operation is fit for purpose as we grow, we continue to review and improve working with external partners, ensuring we run our business effectively with accurate reporting.

During the period, we also recruited a new Marketing Director, Chay Watkins, IT Director, Paul Owers, a Customer Service Manager and Learning & Development Manager, as well as expanding the Group's IT, finance and procurement functions.

I would like to welcome all of our new colleagues to the Cake Box Family and look forward to their contribution to our continued future growth.

Through our strategic expansion, we have created the capacity to significantly increase our volume and reach communities nationwide and we remain focused on maximising productivity to meet the additional demand. For the coming year we have a target of another 24 new store openings and we will continue with kiosk development. This should bring us the 200th Cake Box store in the autumn of 2022, well in line with our stated ambition of having 250 stores.

We continue to successfully open stores in new areas throughout the UK such as Sunderland, Cardiff and Exeter, increasing our geographical presence and becoming a national brand. There are still many opportunities for Cake Box within the UK, so for the time being this is where we continue to concentrate our growth plans.

Cake Box also continues to adapt and evolve in other ways. E-commerce is a key sales channel, and we continue to increase our capability and expand our customer reach through a dedicated delivery service. This will form an integral part of our growth over the next two to three years, with the potential for Cake Box to be a 50/50 online and bricks-and-mortar business.

Building resilience

To come out of the pandemic stronger, it has been key to support our franchisees in setting up and growing their businesses. In the period, we continued our already-established Franchise Support Fund initiative, lending money during this financial year to franchisees to help them set up and at a time when it has been hard to access traditional lending.

The franchise model is unique in that it creates a community of genuine entrepreneurs with the drive to make things work. We have a healthy pipeline of franchisee applications for new stores and we always welcome more entrepreneurs who want to run their own businesses.

The increasing number of franchisee enquiries at Cake Box shows that these entrepreneurs have an appetite to take control of their lives and also their income, as well as creating additional employment for others. Over the last four years, the Cake Box franchise model has created hundreds of jobs across the UK.

Creating social value

Community has always been central to what we do, and why we actively encourage our franchisees to engage with the communities in which they operate through local initiatives. We support their endeavours through money-raising initiatives – donating the proceeds of carrier bag sales back into communities for example. Our voluntary work at head office level also continues, including our large-scale programme serving food to the homeless.

More recently, we have set up an Environmental, Social and Governance (ESG) Committee, focusing on how we conduct our business, from the packaging we use through to miles travelled, and how and where we source our products. We consider our ESG activities to be a moral obligation to our investors, customers, franchisees and supplier base. A huge focus going into 2023 and beyond will be on how we measure the outcomes and set meaningful targets.

Looking forward

The Cake Box Family can be incredibly proud of its achievements over the past year. Achievements only made possible through the collaborative culture that exists between our head office teams, diverse franchisee community and a supplier base that has continued to ensure no supply disruption despite the challenges they may have faced. We must sometimes remind ourselves what we have achieved in less than 11 years since we established the business and just four years after our IPO. In such a short period, we have built a strong brand with a solid loyalty base and huge growth trajectory. In what is a cash-generative business, our cash position remains strong, as does the overall balance sheet.

The Cake Box brand is a perfect example of how through collaboration we can remain strong through times of adversity, and we look forward to delivering value to our investors, customers and franchisees over the long term.

A family of extraordinary entrepreneurs

It is critical in the current economic environment to remind ourselves of what the Cake Box Family is. At its core, it is a family of extraordinary entrepreneurs up and down the country, continuously creating jobs in their communities, often in underserved areas of the UK where investment is needed and lacking most of the time.

To chair a business that ultimately provides a platform to enable and encourage this entrepreneurship makes me incredibly proud. Taking on a franchise and becoming a small business owner is a bold step at the best of times, and I am constantly reminded of how extraordinary our franchisees are when I meet them and hear about their entrepreneurial journeys. I would like to thank the entire Cake Box Family, our customers, our employees, franchisees and supply base for their continued commitment, hard work and dedication over the last year and throughout the last two years of the pandemic.

Neil Sachdev MBE
Non-Executive Chair

RECOGNISED BY OUR PEERS

Our growth not only vindicates the resilience of celebration, but also the underlying quality of the Group's brand, offering and family of franchisees.

nº8

Out of 75 companies

Read the full report at **https://bakeryinfo.co.uk/bakery-market-report/bakery-market-report-2022/666402.article**

Chief Executive Officer's Review

WE HAVE A ROBUST AND SUSTAINABLE BUSINESS MODEL AND 2022 PROVED THAT MORE THAN EVER

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

Sukh Chamdal
Chief Executive Officer

The Cake Box Family is bigger than ever before, and we are serving more customers than ever, with a keen focus on value for money.

Welcoming new franchisees
Despite the pandemic, we were able to uphold our unique proposition of an egg-free celebration cake. Born at the height of the 2008 recession, Cake Box learnt an important business lesson that while people may cut down on essential items, celebrating a special occasion provides that one chink of light. As a result, we saw double-digit growth in 2021 with the opening of 31 new stores and 14 kiosks across the UK.

One result of COVID-19 was that it prompted people to re-evaluate their life goals and, in some cases, to start their own business. They just needed that extra incentive and we were delighted to welcome new franchisees into the business.

Providing training support
Training support to franchisees has been an essential part of our business model prior to, during and since the pandemic. This happens online, via email, weekly forums, and through our dedicated hub where we provide training documents and videos that franchisees can access to conduct their own induction and refresher training.

During COVID-19, our training focus included topics such as social distancing, safe practices at the front and back of house in often small operating spaces, hygiene and sanitisation, and offering masks to customers entering the store.

Franchisee commitment
We always owe a debt of thanks to the commitment of our franchisees. Our churn rate of shops changing hands remains low by industry standards. This shows the commitment and trust of our franchisees and ambitions to expand their business. 46% of our franchisees have more than one store.

The average earnings from a Cake Box store provide an attractive proposition for our franchisees, which is why there are so many multi-store operators. Also, as owner occupiers, it is in their interest that they operate optimally and efficiently. This in turn increases our head office revenue.

Ongoing people strategy
The need to grow our infrastructure in line with the expansion of our estate has guided both our distribution centre strategy and recruitment policy. We now have three UK distribution centres located in Enfield in the South, Bradford in the North, and more recently Coventry in the Midlands, giving us a reach across the whole of the UK, including Scotland and Wales.

We have also instigated a major recruitment drive of key head office positions across health and safety, food safety, marketing, HR, training, customer service and at C-suite level. Our long-term strategy is to make sure that we have the right quality of people to drive and sustain the business into the long term.

Listening to the customer

It remains at the top of our agenda to give our customers the products they want. We collect data from the verbal customer feedback and online reviews our franchisees receive. We also have a feedback form which customers respond to regularly with their valuable insights. As a result, we can adjust our product offering in line with customer needs.

A recent example is the feedback that some customers wanted less cream on their cakes. This has resulted in our naked cake range, which has been received very positively. It is through such initiatives that we will be able to meet customer demands and set trends in the coming years.

Continuing the Cake Box journey

Over the last year we have seen some excellent quality franchisees come into the business. With 31 new store openings, FY22 delivered extraordinary results. For FY23, we remain ambitious while setting a realistic target of 24 new store openings.

It is interesting to reflect on the fact that when Cake Box first began in 2008, it was restricted to serving very specific communities. Today, our three main distribution centres can cater for the entire UK and buffer us from any potential supply chain issues, allowing us to distribute our products seamlessly and ensure business continuity.

A cake is an emotional purchase. Whether the customer wants to enjoy the sights and smells of a physical store or the convenience of ordering from the comfort of their own home, our objective remains the same – to provide the right cake to complete the perfect occasion.

I would like to thank Pardip Dass, my co-founder who left the business at the end of the financial year, for his important contribution to making Cake Box the success it is today.

A bigger, better business

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

I co-founded Cake Box at the height of the financial crisis in 2008. These are difficult times for everyone, but as we have seen before, the Group's unique customer and franchisee proposition remains both exciting and enticing. Our people have proven their resilience and commitment through tough times and now is the time for the Cake Box Family of extraordinary entrepreneurs to shine, with support from a bigger, better and more professional Group function.

The Cake Box Family is bigger than ever before, and we are serving more customers than ever, with a keen focus on value for money. As I said at the height of the pandemic, there will still be birthdays, marriages and countless moments in our lives to celebrate with a slice of our delicious, egg-free cake.

Sukh Chamdal
Chief Executive Officer

CUPCAKES FOR PEACHES

Peaches Womb Cancer Trust was founded in 2020 by a team of enthusiastic and dedicated researchers, doctors and nurses based at St. Mary's Hospital in Manchester, who work alongside Professor Emma Crosbie.

Prof. Crosbie has dedicated her career to developing early detection tests, cancer prevention and treatment strategies for endometrial (womb) cancer.

Their aim is to preserve the health and improve the experience of those with or at risk of womb cancer and their families.

The charity has an active fundraising calendar and is always looking for additional support from local businesses. When our Stockport Road store was approached by their team requesting a donation of cupcakes, they said yes without any hesitation.

The store provided several boxes of cupcakes with decorative toppers, using the charity's logo. These were delivered to the fundraising event and we're delighted to report the event was a great success and the cupcakes were extremely popular!

Stockport Road,
Manchester Cake Box store.

Our Business Model and Strategy

CONTINUING TO BE THE UK'S MARKET LEADER IN CELEBRATION CAKES AND TREATS

OUR STRATEGY

Franchisees

- Targeting towns and cities far and wide in mainland Britain
- Shop openings – full pipeline of new and existing franchisees
- Kiosks – existing franchisees supplying and operating local display counters in malls and supermarkets.

An attractive franchise proposition

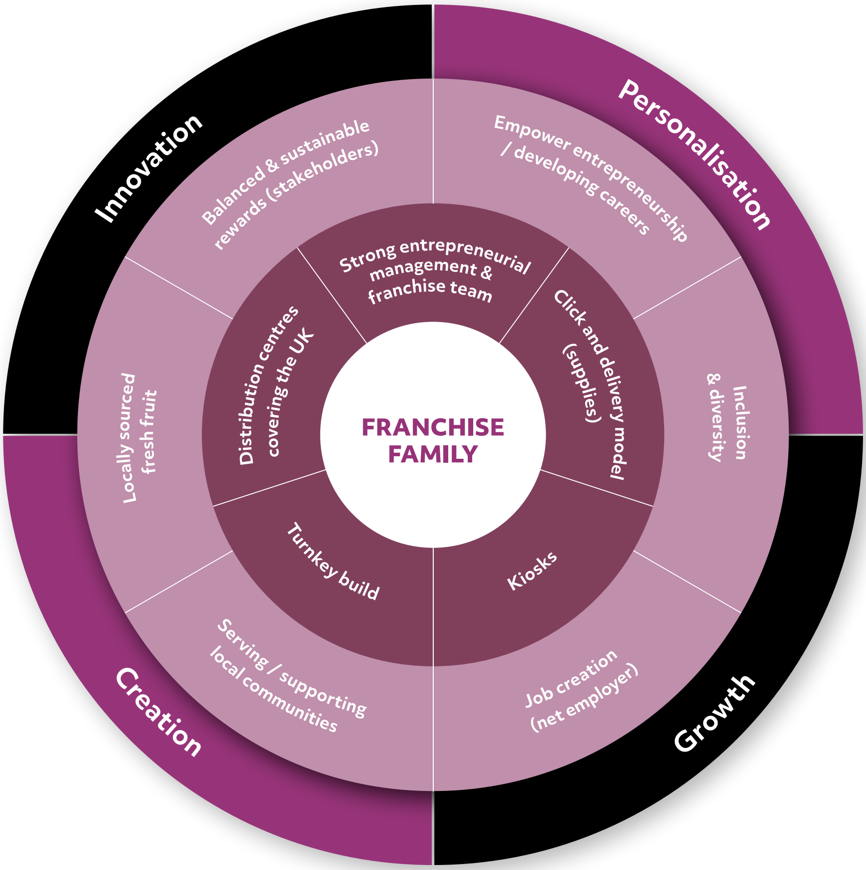
- No baking – simple business model refined over 14 years and delivering ease of operation
- Retail pure and simple – totally cash business. No B2B accounts or credit control to manage
- Full training and ongoing support
- VAT-free product – easier accounting
- Sociable hours – most of our stores are open 11am to 7pm
- Turnkey build, ready-to-trade handover to franchisee
- Average investment payback within 18-24 months
- Relatively low start-up cost for a high street franchise.

FRANCHISEES WHO HAVE BEGUN THEIR MULTI-SITE JOURNEY

No. of franchisees	No. of stores owned
50	1
21	2
9	3
3	4
3	5
4	6
1	7
1	8

HOW WE CREATE SHARED VALUE

Our franchise family continues to grow year on year, supported by strong infrastructure and opportunities that will ensure that each franchisee continues to have the tools they need to grow and succeed. This success isn't just felt by us and our franchisees as a business, we create tangible value for all our stakeholders up and down the country.



OUR BUSINESS FEATURES

Free-from

We promise to be egg and alcohol free. This is an assurance sought by some medically or religiously particular customers who would not buy from us if we worked with egg or alcohol on our premises. Allergy and religious aversion is an important reason for some customers to shop with us.

All occasions

Our shops can provide cakes for all occasions, however large or small. From children's birthdays at home to weddings and events, we can provide cakes that become the centre of attention.

WHAT DIFFERENTIATES US

Our management

- Business led by a passionate founder CEO
- Strengthening the team with new appointments – IT Director, Marketing Director, Customer Care Manager and Food Technical Manager
- Interim CFO appointed, bringing 30 years' experience in senior finance roles
- New COO appointed, with 27 years of operational experience.

+1,000

Staff (incl. franchisee staff)

Our achievements

- £66m of retail sales
- 41% growth in online sales
- 18% growth in total store numbers
- 46% multiple franchisees.

185

Stores operating at year end

OUR OPERATIONS

Enfield

Head office, bakery and south-eastern distribution centre, serving 120 stores.

Bradford

Bakery and Northern distribution centre, serving 32 stores.

Coventry

Bakery, midlands and South-Western distribution centre, serving 33 stores.

- National training centre located at Enfield head office
- Procurement department which is improving processes and saving costs
- New cheesecake line fully operational
- Bulk storage warehouse leased, increasing storage space by 27,000 sq. ft.
- Bradford and Coventry sites now fully operational and supporting a greater number of stores
- Van fleet increased and updated. The new vehicles are more fuel-efficient, helping to improve running costs and reduce environmental impact.

4

Operational sites

3

Distribution centres

1

Bulk warehouse

Personalisation

More than 90% of customers have messages added to their cakes, many deciding on the spot whilst purchasing the cake in-store. This sets us apart from traditional bakers who require several days' notice to add messages. From "Happy Birthday Adam", to "Congratulations on your Vaccination!", cake is a greeting card like no other.

Ready to go

Over the years our in store displays have increased in size with improved lighting offering customers an improved experience and showcasing the variety of cakes. They are far easier to manage for the stores when receiving, preparing, and storing orders, especially for Click & Collect within the hour.

FROM COMPUTER SCIENCE TO CAKES!

Ali Shahaab wasn't intending to be the owner of a Cake Box business. However, having been an existing customer since 2014 in his local Norbury area, he spotted a potential opportunity and decided to do some research. After some fact finding and uncovering the wider success of Cake Box, he decided to purchase some shares.

Ali was still working as a full-time IT consultant with a PhD but decided to leave the hustle and bustle of London to relocate to Cardiff. He applied for a Cake Box franchise in April 2020 and set the wheels in motion for the first store to open in Wales.

Fast forward to March 2022, the store is open and continues to be hugely popular in Cardiff. The opening was such a success, there were 40-minute queues of local customers lining the streets.

The transition from an office-based role to the owner of a retail store has been a huge adjustment and Ali is the first to admit that the journey hasn't been plain sailing. The challenges he has faced range from staffing to keeping up with customer orders and even delivering orders to locals. However, it has all been worthwhile. Ali's work/life balance is vastly improved and he welcomed his third child this year.

Cardiff Cake Box continues to be a success, allowing Ali to support and give back to his local community. He was delighted to gift cakes and cupcakes to a local care home and mosque. He also gifted cupcakes to the local school, which his staff's children attended, to help with a fundraising event.

When asked what his advice would be to any new franchisees, he replies, "enjoy the ride, keep an open mind and more than anything, have fun!"

Franchise Model

OUR FRANCHISE MODEL AND STRATEGIC VISION HAS BUILT OUR BUSINESS TO WHAT IT IS TODAY

WHY INVEST?

1. **Attractive proposition**
2. **Comfortable trading hours**
3. **Competitive pricing**
4. **Limited competition**
5. **Turnkey solution**
6. **Loyal customer base**
7. **Recognised brand**
8. **Franchisees seeking further stores**
9. **Stable franchise model**

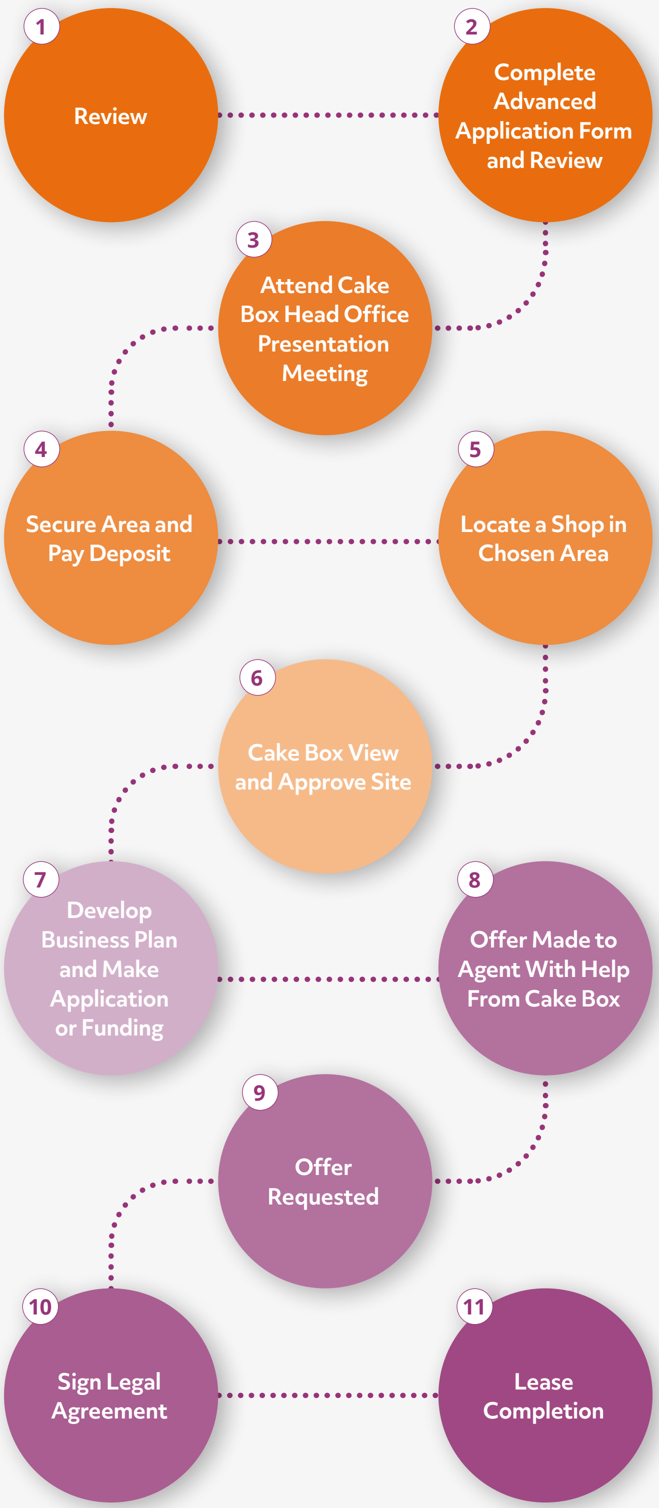
WHO ARE WE LOOKING FOR?

To successfully expand, it is very important that we recruit the right people to work with our brand. We are looking for people with the right attitude who must be prepared to follow an established business model and be flexible as changes arise.

As well as the usual business acumen, we are looking for:

- A genuine commitment to providing the highest quality egg-free cakes to a diverse range of customers and communities
- Individual franchisees, not partnerships
- Dedicated people who are motivated to providing the highest levels of customer service in a retail environment
- Leaders who will manage staff, their training and continued development
- Team players – franchising is all about the wider network and being part of a supportive 'family' of franchise owners
- Well organised and disciplined in all aspects of a business
- People who will follow systems and set procedures
- Previous food or cake knowledge is not required as full training will be provided.

THE PROCESS



FRANCHISEE SUPPORT AND TRAINING

To ensure franchisees start their new business venture with the best possible impact we provide them and their staff with a comprehensive training programme.

They will receive three weeks of full training in all aspects of operating a Cake Box franchise prior to opening.

They will have their training at our Head Office Training Academy in Enfield or at one of our Centres of Excellence.

Our dedicated Openings Manager and Field Operations Manager will be on hand to assist and advise, ensuring the smooth opening of the business. An on-site trainer is provided for two weeks to recruit and train the initial batch of front of house and back of house staff in all aspects of day-to-day shop operations.

They will also have 24/7 access to training, guidance, and full support online and through group chat messaging.

They connect with other franchisees, networking at forums held in person as full day events every two months (after lockdowns ending), sharing tips and issues with products and procedures. Every two weeks, a video conference is held where the franchisees have the opportunity to speak to Head Office Managers and Directors. This continues to be a great support and team building exercise introduced through necessity during COVID restrictions.

3

Weeks' full training

1

Franchisee's video conference every other week

COMMUNITY OUTREACH

Being part of the community is important to us, not only Cake Box head office but also our franchisees. We encourage every store to support local charity, educational and social events as a positive way of giving back, and this has always been welcomed by the stores.

Throughout the year there are hundreds of charity related activities supported by our Cake Box stores, so many that we could publish a book! However, we have chosen only a handful to share, of which this is one.

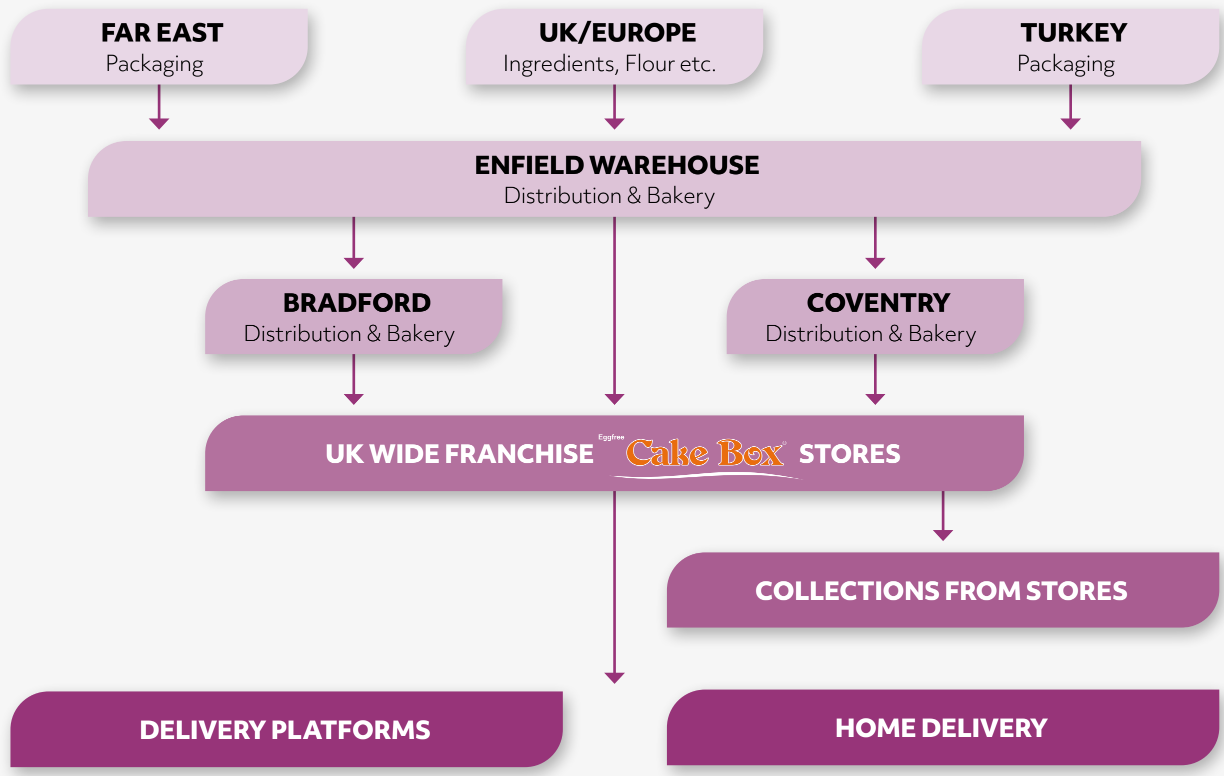
Our Tamworth kiosk was approached by Tamworth Community Project, on behalf of the Tamworth Memory Café. The café offers a place where people can come together in a supportive, friendly environment with others who are in similar circumstances and dealing with or suffering from dementia.

This type of community project really is a lifeline for those who are the carers of dementia sufferers and provides them with a support system. The café is also supported by the Alzheimer's Society and Community Mental Health team.

It was a pleasure to be able to make these meetings a little bit sweeter with the addition of several Cake Box cakes to complement their tea and coffee, and we will continue to support this worthy programme.

Franchise Model continued

OUR SUPPLY CHAIN



3

Distribution centres
Providing store deliveries within 90 minutes and reducing travel miles. Enfield bulk warehouse added for additional capacity.

185

Total stores
New store openings have continued and delivered increased sales.

31

New store openings

BAKERIES AND DISTRIBUTION CENTRES

Bradford
The northern hub is fully operational and now serves 32 stores.

Coventry
Coventry fully operational and now serves 33 stores.

London
Enfield, North London continues as head office since 2015. It houses the biggest bakery, currently serving 120 sites in London and South East.

It also serves as the national warehouse for smaller goods such as kitchen tools, uniforms, candles and balloons.

Bulk warehouse leased to increase storage and capabilities from Enfield.

Financial Review

A YEAR OF STRONG GROWTH AND A SOLID SET OF FINANCIAL RESULTS

Revenue increased by 50.7% compared to the previous financial year.

David Forth
Interim Chief Financial Officer

Cake Box has a strong balance sheet with a cash balance at the year-end of £6.6m.

	FY22 £m	FY21 £m
Revenue	**33.0**	**21.9**
Gross profit	15.8	10.9
Operating expenses before exceptional items	(8.8)	(6.2)
Exceptional items	0.8	(0.5)
Operating profit	**7.8**	**4.2**
Finance cost	(0.1)	–
Profit before tax	**7.7**	4.2
Adjusted profit before tax*	**7.0**	4.7
Tax	(1.4)	(0.8)
Profit for the period	**6.3**	**3.4**
Adjusted profit for the period*	**5.5**	**3.9**
Revaluation of freehold property	1.2	1.3**
Deferred tax on revaluation	(0.2)	(0.3)**
Total comprehensive income for the year	**7.3**	**4.4**
EBITDA***	**8.8**	**4.9**

* Calculated after adjusting for exceptional items in 2022 +£782k (2021 -£486k) - see note 10.

** Prior year comparatives have been restated – see note 20.

*** EBITDA is calculated as operating profit before depreciation and amortisation.

Revenue
Reported revenue for the year FY22 was £33.0m. Revenue increased by 50.7% compared to the previous financial year. This was achieved through an increase in store like-for-like sales and with the addition of 31 new stores around the UK in new locations, including Cardiff, Exeter, Bournemouth, Plymouth, Sunderland, Chelmsford and Nuneaton.

Gross margin
Gross profit as a percentage of sales reduced to 47.9% from 49.8% due to an exceptional increase in new store openings, with new store set-up margins being lower than margins on sales of products.

EBITDA
EBITDA increased by 79.6% to £8.8m as a result of the strong increase in sales and control over costs.

Exceptional items
Following the website data breach that occurred in 2020, the Group made a provision of £486k in FY21, allowing for legal and professional fees and potential fines relating to the breach. £243k of the original provision remains in place.

In FY22, despite the excellent performance of the Group, the vesting conditions of the Executive Share Schemes were not met, resulting in an exceptional gain of £486k to profit.

A review of provisions resulted in a further exceptional gain of £296k from reversing an accrual for rates in previous years.

Balance sheet
Cake Box has a strong balance sheet with a cash balance at the year-end of £6.6m (FY21: £5.1m). The Group's only debts are mortgages of £1.4m secured by its freehold properties in Enfield, Bradford and Coventry.

Because of its franchise model, the Group has a relatively low and flexible cost base. The Board is therefore very comfortable with current cash levels and liquidity, despite the unprecedented events of the last two 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 significant revaluation gain in respect of our head office site in Enfield of £2.5m, compared to the previous revaluation in 2019. This has been apportioned between FY22 and FY21 in the Accounts.

We also rented a 27,000 sq. ft. warehouse in Enfield to support our business expansion.

Taxation
The effective rate of taxation in FY22 was 18.4% (FY21: 18.0%).

This is in line with 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.

Earnings per share (EPS)
Unadjusted earnings per share were 15.8p (FY21: 8.4p). This is an increase of 88.1%, reflecting the Group's increasing profitability. The number of shares in issue was 40,000,000. This is unchanged since the Group's IPO in June 2018.

Dividend
Having delivered a year of strong growth, the Board is pleased to recommend a final dividend of 5.1 pence per share (FY21: 3.7p), bringing the total dividend for the year to 7.6 pence per share (FY21: 5.55p).

If approved by the shareholders at the Company's AGM on 20 September 2022, the final dividend of 5.1 pence per share will be paid on 27 September 2022 to shareholders on the register on 26 August 2022.

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 and two thirds for the year end.

Cash position
The Group had £6.6m of cash at year-end, an increase of £1.5m. At year-end, the Group also had a net cash position of £5.2m, up £1.6m from the previous year.

Trade and other receivables
The Group had £2.6m of trade and other receivables at the end of FY22, equal to the prior year. The majority of this balance relates to trade receivables which have remained at £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 £2.6m of trade and other payables at the year-end, a reduction of £0.7m on the prior year. The Group actively sources cost-effective suppliers without compromising on product quality. Other payables are paid according to the terms specified.

We have been working with BDO as internal auditors to improve the control environment across the Group, to ensure it remains appropriate to the needs of a growing business.

David Forth
Interim Chief Financial Officer

A VIP VISITOR

We had the immense pleasure of welcoming The Mayor of Enfield, Cllr Sabri Ozaydin, who took time out of his busy schedule to visit Cake Box and introduce himself and discuss his mayoral charity "You Are Not Alone". This charity aims to raise money to help those experiencing difficulties and to support local NHS and COVID-19 related causes during his mayoral year.

The Mayor started his mayoral year in the midst of the worldwide pandemic. With this in the forefront of his mind, he wanted to make a difference in the community of Enfield and spread a message of love, humanity and inclusion in a time of uncertainty and great worry for the nation.

His aim was to raise funds to support those who have been directly affected and also to share thanks to the many frontline workers, without whom many isolated and lonely people of our Borough would have gone unnoticed.

On arrival, we ushered him to our Board room where our CEO, Sukh Chamdal, welcomed him, and they sat and shared tea and several slices of cake together!

During their discussions Sukh was able to confirm to Cllr Sabri Ozaydin that Cake Box would be delighted to help support not just a worthy cause but a community close to our heart, Enfield.

In addition, Cake Box was also able to increase the fundraising by sponsoring a table at The Mayor's Charity Fundraising Dinner. Several members of staff attended this very lavish affair that included a three-course silver service dinner followed by entertainment and a raffle.

Operational Review

CONTINUED GROWTH AND BUILDING A TEAM FOR THE FUTURE

Despite the challenges of COVID-19, we achieved record growth in FY22.

Dr Jaswir Singh
Chief Commercial Officer

It has always been our aim to reach our franchisees and their communities across all parts of the UK. We now have three baking and distribution facilities with Enfield serving Southern England, Coventry for the Midlands and Wales, and Bradford which reaches out to Northern England and Scotland.

Emerging stronger and more confident from the pandemic

While the past two years have been tumultuous in many ways, we were fortunate in being classified as an essential food service and our stores were able to remain open throughout the pandemic with minimal disruption. At the same time, we took our responsibility seriously in providing some respite at a time of such emotional hardship. This remained at the core of every celebratory cake we delivered.

COVID-19 presented its own challenges, nevertheless. The NHS Track and Trace system meant Cake Box and our franchisees often had to operate with skeleton staff, although we were quickly able to transition to remote working for our back-office operations. There have also been some positive lessons learned. The reinforcement of safe working practices, queue management and the ability to continue operations in the light of staff absences have all made the business stronger as a result.

There are other positives emerging from the pandemic. To stay in close contact, we instigated a Zoom forum with all our franchisees, which I attended alongside our CEO and CFO. This happened without fail at the same time each week, to keep everyone engaged, discuss any issues they faced and provide support. We have gained a deeper social understanding with our franchisees as a result and the process will hold huge mutual value moving forward.

Continued growth

Despite the challenges of COVID-19, we achieved record growth in FY22. As of the end of FY22, we have 185 stores in operation, with 31 being new store openings against the 24 we forecasted. Our target for FY23 is a further 24 stores.

It has always been our aim to reach our franchisees and their communities across all parts of the UK. We now have three baking and distribution facilities with Enfield serving Southern England, Coventry for the Midlands and Wales, and Bradford which reaches out to Northern England and Scotland. This gives us the production capacity to reach major towns throughout the UK more efficiently and an infrastructure in place for at least the next two to three years. It also gives us a stronger recovery planning platform.

Operational Review continued

Should an extraordinary event occur within any of these facilities, we have the resilience to provide our franchisees and their customers with uninterrupted supply and support.

We continue to see huge longevity in our franchise operating model. Our franchising partners are completely invested in their business and can rely on our support every step of their journey. This is evidenced by strong franchisee demand. As at the end of FY22, there is a strong pipeline of deposits for new stores, comprising half from existing franchisees and half from new applicants.

Ongoing initiatives

We have rolled out our kiosk model over the last three years, but more recently in partnership with a national supermarket chain. The kiosk model was developed by Cake Box but is run by franchisees themselves should they wish to take that route. It is an extremely powerful promotional marketing tool attracting passers-by outside the confines of a physical store.

The kiosk model has been well received by our franchisees. As of the end FY22, they ran 35 kiosks operating almost half-and-half between supermarket and mall locations.

We also launched our home delivery business at the start of the pandemic. The delicate nature of our products means they cannot be delivered in a rucksack by bike. So, whilst we have deals with the main delivery companies to use their marketing platforms, we organise delivery ourselves by car. Expanding into delivery from our Click & Collect model has proved successful and opened up Cake Box to the wider online cake market.

Building a team for the future

We have made a number of key senior head office appointments over the past year to continue building a resilient business and support our market leading position as a provider of celebration cakes throughout the UK.

We have expanded our Health and Safety team and separated Health and Safety from Food Safety. We have also appointed a Learning and Development Manager and expanded our IT team. The latter has been instrumental in making our website more secure and in upgrading our IT installations.

We have recruited a new Marketing Director, taking us into a new era of digital growth, as well as new recruitments within Technical Products and Customer Care. At the same time, we are investing in our HR capability to support our staff expansion strategy and position ourselves for future growth through the appointment of a Learning and Development Manager.

Finally, I'd like to congratulate Richard Zivkovic on his new role as Chief Operations Officer and I'm delighted to be taking up my new position as Chief Commercial Officer. Cake Box can look forward to some exciting times ahead and it remains a privilege to be part of this dynamic and growing organisation.

Dr Jaswir Singh
Chief Commercial Officer

Our ESG Strategy and Governance

PLACING ENVIRONMENTAL AND SOCIAL GOVERNANCE AT THE HEART OF OUR BUSINESS

Since the opening of our first store in 2008 in East London, Cake Box has been built on strong values and a desire to positively impact the communities we serve. We firmly believe that the most responsible businesses will be the most successful, and we want to place sustainability at the heart of our business. Launched in 2020, our Environmental, Social and Governance (ESG) strategy underpins this approach and is built around three pillars: our Products, our People, our Planet.

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

OUR PRODUCTS

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

Healthy eating

We want our customers to enjoy healthy lives. In line with the Calorie Labelling Regulations, we have been working towards offering transparent nutritional information to customers. To support our customers in maintaining a balanced diet whilst enjoying our cakes as a treat, calorie content is now clearly labelled on all our products displayed in store fridges and is also available to customers purchasing online. We are also providing clearer information on portion sizes for serving our cakes.

Food safety

Food safety is paramount for Cake Box and something we will never compromise on. Every day, we work with our employees, franchisees and suppliers to maintain high food safety standards.

We have training programmes in place to meet a minimum 4 out 5 Food Hygiene Rating across all our franchises. As of 31 March 2022, 81% of inspected shops were rated 5, and 95% rated 4 and above. We work closely with the few franchisees that do not meet this threshold, immediately putting corrective action plans in place before asking the appropriate council to carry out a re-rating.

We appointed a full-time Product Technical Manager to support our suppliers in meeting the highest food safety standards. We have also invested in additional resources to comply with Natasha's Law, providing full ingredient lists with clear allergen labelling on all our pre-packed for direct sale food.

We have committed to achieving the British Retail Consortium (BRC) Standard for food safety by the end of the next financial year. This independent accreditation will provide us with a framework to align with best practices on food safety standards.

Labour standards in our supply chain

We are committed to protecting labour and human rights across our supply chain. We have a Supplier Code of Conduct which outlines what we expect from our contractors, suppliers, franchisees and other business partners. The Supplier Code is based on the Ethical Trading Initiative (ETI) base code, an internationally recognised code of labour practice founded on the conventions of the International Labour Organization (ILO). We now require all our suppliers and franchisees to acknowledge our Supplier Code, which is systematically included in all the Purchase Order (PO) statements we issue.

In FY23, we will continue bolstering our understanding of the ethical risks in our supply chain. We will be working with Stronger Together to provide modern slavery training to our leadership team and key members of staff, including colleagues from our human resources (HR), procurement, and franchise management teams. As we work towards the BRC Standard, we will also strengthen our due diligence processes with supplier self-assessment questionnaires, supplier ethical risk assessments, and ethical audits for high-risk suppliers.

> This year we have continued to build on Cake Box's tradition of making a positive impact, socially and environmentally. Our customers now have clear nutritional information, our suppliers and franchises know our Code of Conduct and our environmental impact is being actively managed and reduction targets set.

Alison Green
Chair of the ESG Committee.

OUR PLANET

There is no thriving business on a depleted planet. Cake Box relies on nature and ecosystems to source its ingredients, and we are committed to protecting our environment. Our top priority over the past year has been to voluntarily measure the environmental impact of our operations and establish a baseline of our Scope 1 (directly controlled by the Group) and Scope 2 (indirect through utilities or water usage) emissions. We have set up processes to collect energy and water data across our sites and offices.

We have already switched the electricity supplier for our Enfield site to renewable energy. We have also made progress in terms of packaging. In 2020, we set a target for 90% of our packaging to be recyclable or biodegradable by 2022. In FY22, 98% of our retail packaging was made of materials that are widely recyclable in the UK.

We understand that the largest part of our environmental footprint sits outside our operations, in our supply chain and in our franchise estate. Next year, we will measure our Scope 3 emissions (indirectly caused across the wider upstream and downstream supply chain) and start working with our franchisees to identify opportunities to reduce the carbon emissions associated with our shops.

OUR PEOPLE

Our people are our best asset and we take care of them. We want our colleagues to feel happy and fulfilled at work.

Health and safety

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

Wellbeing

It is not enough to keep our colleagues safe. We also want them to feel happy at work. We understand the importance of good employment conditions and, as of 31 March 2022, 100% of our colleagues had a permanent contract with fixed hours. We offer private health insurance to all employees, including access to a 24/7 support helpline, and provide fresh fruit every week.

In the coming year, we want to increase conversations around mental health and wellbeing in our business. We will train five colleagues to become Mental Health First Aiders and to act as the first point of contact for people with mental health issues at our different sites. We will also require all line managers to complete a half-day training on mental health and wellbeing.

In a recent survey, 93% of our colleagues said they were proud to work for Cake Box.

Learning and development

In our 2021 Employee Survey, we learned that our colleagues expected more support from their line managers on individual performance and progression. As a result of this feedback, we required our line managers to complete an Institute of Leadership & Management (ILM)-accredited Leadership and Management training course. We have also recruited a Learning & Development Manager to embed a consistent approach to performance review and a comprehensive programme of learning activities for staff.

Franchise staff

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

Principal Risks and Uncertainties

The Corporate Governance Report includes an overview of the Group's approach to risk management and internal controls. Set out below are the principal risks and uncertainties that the Group faces, and the activities designed to mitigate them.

The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed. Hence, the list is not intended to be exhaustive.

Risk category	Potential impact	Mitigation	Rating
Robust infrastructure	The Group is experiencing rapid growth, and this can put additional strain on both its human resources, their skills as well as the physical assets.	We prepare long- and medium-term strategic plans and map resource requirements against these. We can then take the appropriate action to ensure the right resources are in place and that our people have the right skills to perform their jobs. Senior management reacts quickly to changes in the financial, operational or strategic risk profile facing the business and is able to implement new processes and adapt products, including adding additional resources if required.	**High**
Information security	Risk of non-compliance with data protection laws is an increasing risk for the business. As Cake Box increases its online sales, any loss of availability or integrity could result in a short-term impact on commercial performance and longer-term loss of customer confidence. There is significant reliance on third parties for hosting the transactional website and ensuring it is as secure as it can be. The global cyber threat landscape is evolving all the time with ransomware, data breaches and targeted cyber-attacks becoming more sophisticated and commonplace.	During the year, we significantly increased our investment in both people and infrastructure as we expanded our internal IT capabilities and worked with additional third-party companies. This investment will continue, both to improve the resilience of the infrastructure (to correspond with the growth in online orders) and how we interact with our customers. Controls are in place to protect the platform availability and ensure we have multiple backups of data, both in the cloud and on physical servers. We use an external company to regularly test our website security and ensure compliance with Payment Card Industry (PCI) Security Standards.	**High**
Declining sales performance	As the cost of living crisis bites and many of our customers potentially have less disposable income, they could choose or be forced to reduce spending on discretionary items such as celebration cakes. This may adversely impact store sales and therefore Group revenues.	Historically at times of uncertainty, the celebration cake market has not been impacted as much as the rest of the economy due to the nature and frequency of the purchase. Our franchisees will endeavour to reduce the level of any price increases they put through to customers, just as we mitigate as far as possible passing on supply chain price increases to franchisees.	**Medium**
Supply chain logistics	The Group sources some ingredients and all of its packaging from overseas. These supply chains remain under pressure as a result of the global pandemic, logistical challenges and increased costs, due to scarcity of supply in certain products. Any failure to source ingredients and packaging could have a material adverse impact on franchisee sales and therefore Group revenues.	We have built up stockpiles of non-perishable goods, as well as sourcing alternative suppliers to ensure a broader, more resilient supply chain. We continue to engage with our suppliers on a very regular basis to ensure our supply chains are as resilient as possible.	**Medium**
Cost of goods price pressures	We continue to see price pressures on our raw materials from the inflationary pressures and the grain shortages created by the Russia-Ukraine conflict. If we are not able to either absorb or pass on some or all of these increases to franchisees, then this may lead to reduced profits and potentially reduced Group profits.	We work closely with our suppliers, and due to our purchase volumes we are able to obtain discounts and ensure regular supply. As part of our procurement strategy, we keep all our key supplier relationships under regular review and wherever possible ensure that there are multiple suppliers available to mitigate the risk of supply chain inflation.	**Medium**

Risk category	Potential impact	Mitigation	Rating
Cost pressures reduce profits for franchisees	Increased labour costs through rises in the living wage/minimum wage and increases in shop running costs (e.g., energy costs, food and packaging costs) mean that operating a franchise may become less profitable. This could reduce the interest from new potential franchisees and also lead to store closures if some stores were to become unprofitable.	Cake Box franchisees enjoy healthy profit margins and so can absorb some degree of increases in operating costs. Many are multi-store franchisees, so even if one store was to become loss-making, they could continue to operate that store based on the performance of their other stores. Franchisees can also increase the retail price of cakes to maintain margins, as we are a specialist retailer with a unique offering.	**Medium**
Food hygiene /H&S matters at a production facility	Low food hygiene and/or health and safety ratings by authorities could lead to a temporary closure of a production site. In turn, this could prevent certain franchised stores from being able to trade, which would adversely impact the revenues of the Group.	We work with our Primary Authority Partner to ensure that all standards are met and action any remedial works required via a team action plan. We have also recruited a Technical Product Manager to ensure we maintain the highest food production hygiene standards. In addition, our Food Technical Manager is leading the introduction of the recent food labelling requirement. Further production resilience is ensured by having three production sites.	**Medium**
Reliance on key staff	Loss of key management could impact the Group's ability to continue to deliver against its strategic plan within the desired timeframe, leading to reduced investor confidence and therefore the Group's value.	Cake Box is not reliant on one single individual and senior management has been materially strengthened in key areas over the last year. Succession planning takes place for senior managers and other key members of staff, and the Remuneration Committee seeks to ensure that key individuals are suitability incentivised for retention purposes.	**Medium**
Ability to recruit and retain skilled franchisees	The ability of the Group to attract and retain new franchisees with the appropriate attitude, expertise and skills in all of the locations in which it wishes to operate cannot be guaranteed. This may limit or prevent further business growth.	We undertake a rigorous recruitment and vetting process and have become very astute in identifying good franchisees. There is strong demand from existing franchisees for new stores, together with a strong pipeline of new franchisees. We regularly attend major national franchise market events which generate significant interest amongst a new audience of potential franchisees.	**Medium**
COVID-19	If there are any major reoccurrences of COVID-19 or related mutations of the virus, government action in instigating further lockdowns may bring closure of retail operations and temporarily prevent franchisees and therefore the Group from generating any revenue.	We have a strong balance sheet to weather any potential lockdowns and can provide a variety of support and advice to franchisees on how to best protect their businesses. We have demonstrated how our franchisees can continue to operate safely as a food business during lockdown periods through the home delivery options we have established, while our classification as a food service in the last pandemic allowed stores to open after a short period of closure.	**Low**

Principal Risks and Uncertainties continued

Risk category	Potential impact	Mitigation	Rating
Consumer trends/health concerns	The Group's Financial Results can be impacted by any material change in consumer habits. There is an increasing level of focus from UK media and government on health and obesity issues. It is therefore important that we continue to facilitate customers to make informed decisions.	Our products are celebratory 'treats' in the mind of the consumer. When it comes to treats, consumers generally disregard health, sugar and fat concerns. That said, we have developed new products to appeal to a wider demographic such as vegan and gluten-free. In addition, nutritional information for all products is now in place in our stores and on the website to allow customers to make more informed choices.	Low
Product quality	A reduction in product quality as a result of poor operational standards by franchisees may deter customers, reducing sales at store level and in turn supplies purchased from Cake Box.	We undertake a rigorous recruitment and vetting process and have become very astute in identifying good franchisees. Sponge, the major constituent of our products, is produced centrally and it is quality tested regularly. We undertake regular operational audits to ensure franchisees maintain the high standards and quality that the brand is known for.	Low
Poor franchisee performance	Multiple franchisees could underperform in the market, which could result in lower revenues for the Group and potential damage to our reputation and financial performance. Even though we have the ability to terminate underperforming franchisees, this may not in itself stop any such potential damage.	Our Directors believe that the Group provides its franchisees with all the appropriate and necessary training, guidance and support to operate their stores successfully, safely and to the standards we expect of our franchise stores. We also undertake periodic audits of our franchise stores and assist the ones that are performing less well in improving their marketing and store results.	Low
	Low food hygiene and health/safety rating by authorities at individual store level could be very damaging to the brand, with a potential reduction in system sales.	Poor Environmental Health Officer (EHO) or audit scores automatically trigger retraining of the concerned franchisee(s) and their staff. We also undertake our own regular audits to maintain high standards.	
Business interruption/ business continuity	The Group relies on its supply chain and key IT systems to serve franchisees (and ultimately customers) effectively. Production interruptions at any of our production sites caused by events such as fire, flood or IT systems failure could impact the ability of that site to provide stores with the items they need to produce and sell cakes.	In recent years, we have purchased two additional production and distribution facilities in Bradford and Coventry. Both are fully operational and can provide back-up facilities to our main production and distribution facility in Enfield.	Low

Considering All of Our Stakeholders

WE TAKE A DISCIPLINED APPROACH TO ENGAGING WITH OUR PEOPLE, CUSTOMERS AND THE BROADER COMMUNITY

Duty to Promote the Success of the Company (Section 172)

Statement by the Directors relating to their statutory duties under Section 172(1) of the Companies Act 2006

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

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

The Directors' regard to these matters is embedded in their decision-making process, through the Group's business strategy, culture, governance framework, management information flows and stakeholder engagement processes. The Group's business strategy is focused on achieving success in the long term. In setting this strategy, the Board takes into account the impact of relevant factors and stakeholder interests on the Group's performance. The Board also identifies principal risks facing the business and sets risk management objectives. The Board promotes a culture of upholding the highest standards of business conduct and regulatory conduct. It ensures these core values are communicated to employees and embedded in the Group's policies and procedures, employee induction and training programmes, risk control and oversight framework. The Board recognises that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate a sustainable business.

The Directors are supported in the discharge of their duties by:

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

Considering All of Our Stakeholders continued

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

EMPLOYEES

Our employees contribute to a positive working culture and healthy working environment. Employees are key to the success of our business. In addition to aiming to be a responsible employer in our approach to pay and benefits, we continue to engage with our team to ascertain which training and development opportunities should be made available to improve productivity and individual employees' potential within the business. We continually invest in employee development and wellbeing to create and encourage an inclusive culture within the organisation. Our employee appraisal programme encourages employee feedback and facilitates the opportunity for both employees and managers to set performance goals on an annual basis. Our culture invites different perspectives, new ideas and opportunities for growth. We work hard to ensure employees feel welcome and are valued and recognised for their hard work. Employees have access to a range of resources including a monthly wellbeing drop-in session to ensure employees' mental health is considered. We also provide staff with a charging point for hybrid or battery-powered vehicles.

CUSTOMERS

Customers are at the centre of our business. We have recently recruited a Customer Care Manager whose main focus is to deal with customer issues, train the staff in the shops and help franchisees recruit the right staff. As part of our customer retention programme, our plan includes new product launches, improved campaign content, new channels and the appointment of a Marketing Director to lead the head office marketing operation. Following the website data breach in 2020, we take the security of our customers' personal information extremely seriously and we have taken the appropriate actions to secure the website including the recruitment of an IT Director.

FRANCHISEES

The best managers are owner occupiers which describes our franchisees perfectly. They are fully dedicated to the development of their business, with the additional benefit of support from a network of franchisor personnel and management, giving them assistance at every level to fully realise their store's potential. This has led to 46% of franchisees being multiple site owners.

COMMUNITY AND ENVIRONMENT

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

SUPPLIERS

As a growing business, we work with a wide range of suppliers both in the UK and overseas. We remain committed to being fair and transparent in our dealings with all our suppliers. The Group has procedures requiring all suppliers to maintain a due diligence process ensuring internal governance that includes, for example, their anti-bribery and corruption policies, along with data protection and modern slavery. We have systems and processes in place to ensure suppliers are paid in a timely manner.

REGULATORS

The Board's intention is to behave responsibly and ensure the management team operates the business in a responsible manner, acting with the high standards and good governance expected of a regulated business like ours. In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in our sector. Our risk and control framework ensures that the Group complies with all legal and regulatory requirements relating to the provision of products and services to our clients.

Our Magic Ingredient

SUPPORTING OUR LOCAL COMMUNITIES

As a national retailer, we take pride in embedding our stores within their local communities. As part of our core values, it is important to us that we are able to help support community investment, educational programmes and charitable activities.

Whether it is sponsoring a children's football team, donating cakes to an NHS hospital, or providing cupcakes to a worthwhile charity, Cake Box franchisees are embracing our core values and giving back to their communities.

Excellent!! Photo cake: 5 STARS Taste: 5 STARS Service : 5 STARS You guys made my day!! Thanks a billion, much appreciated.

Suchit Parab

10 July 2022
Store: Harrow Wealdstone

MARY ANN EVANS HOSPICE

Our Nuneaton store is a great example of how a small gesture can make all the difference. In this case its donation of cupcakes to the Mary Ann Evans Hospice, based within the grounds of Nuneaton's George Eliot Hospital, was part of a fundraising event which helped raise valuable funds.

The hospice was established in 1991 and named after a local author of some note, who lived close to the hospital. The author's pen name was actually 'George Eliot', after whom the hospital had been named, so it was a fitting tribute to use her real name for the hospice.

Board of Directors

A WARM WELCOME TO NEW BOARD MEMBER ALISON GREEN AND TO INTERIM CFO DAVID FORTH

NEIL SACHDEV MBE (64)
Non-Executive Chair

N A R E

Previous experience
Neil joined Cake Box as Non-Executive Chair in June 2018. He is an experienced non-executive director and chair and has extensive retail experience in Tesco and Sainsbury's. He is currently chair of Warwick Business School and serves as non-executive chair and director in the public sector. Neil also has an MBA from The University of Stirling.

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

SUKH CHAMDAL (60)
Founder and Chief Executive Officer

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

DAVID FORTH (67)
Interim Chief Financial Officer*

* As an Interim, David is not a Statutory Director.

Previous experience
David has 30 years' experience in senior finance roles across the consumer, retail and logistics sectors.

Most recently, he was interim finance director at AB Sugar and prior to that was deputy chief financial officer at Eddie Stobart Logistics from 2018 to 2020.

His career also includes roles as interim transformation finance director at Wincanton and finance director at Mothercare.

David is a qualified Chartered Accountant.

DR. JASWIR SINGH (65)
Chief Commercial Officer

E

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

He was appointed Chief Commercial Officer in June 2022.

MARTIN BLAIR (64)
Non-Executive Director

N A R

Previous experience
Martin joined Cake Box Holdings as Non-Executive Director in June 2018. He is non-executive director of AIM listed Kape Technologies and t42 IoT Tracking Solutions plc.

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

Martin is a qualified Chartered Accountant.

ADAM BATTY (50)
Non-Executive Director

N A R

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

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

Adam is a qualified solicitor.

ALISON GREEN (55)
Non-Executive Director

N E A R

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

Alison is a Masters Qualified Executive Coach.

COMMITTEE MEMBERSHIP KEY

- N Nomination Committee
- R Remuneration Committee
- A Audit Committee
- E Environmental, Social and Governance Committee
- Committee Chair
- Committee member

Corporate Governance Statement

STATEMENT OF COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE

The Board seeks to follow best practice in corporate governance as appropriate for a company of our size, nature and stage of development.

Neil Sachdev MBE
Non-Executive Chair

The Board is strongly focused on promoting a positive culture and we believe that equality, diversity and inclusion are fundamental for our strategy to

Chair's introduction
The Corporate Governance information was last updated in June 2022.

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

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

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

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

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

Corporate Governance Statement continued

PRINCIPLE 5 **Maintain the board as a well-functioning, balanced team led by the chair**	The Board includes a balance of Executive and Non-Executive Directors. All the Directors have appropriate skills and experience for the roles they perform at Cake Box, including as members of Board Committees. The Board is responsible to the Company's shareholders and sets the Group's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group. The Board meets ten times per year as well as regular one to one meetings between Executive and Non-Executive Directors. The Chair is responsible for ensuring that the Directors receive accurate and timely information and ensures that any feedback or suggestions for improvement on Board papers are fed back to management. Adam Batty, Martin Blair and Alison Green are Non-Executive Directors of the Company and Neil Sachdev is the Non-Executive Chair. The Board considers that Neil, Adam, Martin and Alison are independent, in character and in judgement, and have no business relationships which impact on their independence. The Board has delegated specific responsibilities to the Audit, Remuneration, Nomination and ESG Committees. Each Committee reports back to the Board and has written terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. Each Committee meets at least two times per year and all meetings are documented. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders. Directors are subject to re-election annually. We have retained Dr Jaswir Singh in a newly created role as Chief Commercial Officer and appointed a new Interim Chief Financial Officer, David Forth.
PRINCIPLE 6 **Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities**	The Board currently comprises three Executive and four Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. In addition, the Chair, Neil Sachdev, brings further strategic, commercial, transaction and leadership experience which will be invaluable as the Board pursues the Group's growth strategy and continues to transform the Group. See page 34 for a list of the Directors and their skills and capabilities.
PRINCIPLE 7 **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**	The Chair reviews the contributions of Board members as well as the Board Committees and conducts annual effectiveness reviews. The Board conducted an internal Board effectiveness review in June 2022. In addition, the Non-Executive Directors will meet, without the Chair present, and will evaluate his performance. The Nomination Committee is responsible for succession planning of the executive leadership team and makes recommendations to the Board for the re-appointment of any Non-Executive Directors if and when necessary. Succession planning is reviewed on an ongoing basis alongside the capability of the senior management and Directors. All Non-Executive Directors have a one to one meeting with the Chair to give and receive feedback annually.

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

Statement from the Chair of the Audit Committee

LOOKING TOWARDS A BETTER FUTURE WITH NEW BUSINESS PROCESSES

> The Group's policies, internal controls and corporate governance are reviewed periodically and where appropriate they are enhanced and improved.

Martin Blair
Chair of the Audit Committee

Improvements to processes, systems, and the Internal Control environment.

On behalf of the Board, I am pleased to present the Audit Committee report for FY22. As detailed in last year's report we had decided to put in place a more rigorous process around our assessment of the effectiveness of internal control. After a review we decided that the Group would best be served by appointing an external organisation into this role rather than recruiting an internal resource. In August 2021 we appointed BDO LLP ("BDO") to the role of Risk Assurance advisor with a remit of reviewing the internal control environment and performing reviews with recommendations where the internal controls could be improved. BDO have carried out reviews since their appointment initially covering areas that came out of the external auditor's recommendations. This, coupled with our internal focus on process and control, has led to a number of changes and improvements in the control environment. This year we have agreed, with BDO and in conjunction with the work carried out by the external auditor, to review several areas, particularly focusing on those that align to the key risks that will add most benefit to the Group. In order to support this focus, we are also completing a refresh of our risk management framework and risk assessment.

In January 2022 we were made aware of several inconsistencies in the reporting of prior year numbers in the last Annual Report. Whilst none of these impacted the current year figures that had been reported on and had no bearing on the financial performance of the Group it was regrettable that this happened. We corrected these transposition errors and updated the 2021 Annual Report, which can be found on our website. The conclusion from our review was that the time between signing the reports and having to print and post the Annual Report to shareholders to meet the planned AGM date was too short to allow an accurate checking of the prior year figures. As a result, this year we have moved the AGM date back a few weeks to ensure there is sufficient time to carry out a proper check.

The Group's operations have continued to grow this year and we have opened 31 new shops and a further 14 kiosks in shopping centres and supermarkets during the year. The nature of the Group's operations hasn't changed significantly, and we continue to review the systems and controls that we have in place to ensure they are adequate for a Group of our size as well as reflecting our growth aspirations. We periodically review the risk register and this year we have paid particular attention to the supply chain to make sure we have ample inventory in stock and can source alternative suppliers if necessary.

The Audit Committee continues to work closely with the external auditor in the planning, execution and review of both the interim and final audits. We review the accounting policies periodically to make sure they are appropriate and reflect any changes in the Group's operations.

Internal control

The Group's policies, internal control and corporate governance are reviewed periodically and where appropriate they are enhanced and improved:

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

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

Board Committees

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

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

Statement from the Chair of the Audit Committee continued

Appointment of the external auditor

RSM UK Audit LLP were the auditors at the time the Group listed on the AIM stock market and RSM UK Audit LLP have conducted the audit of the Group's financial statements since that date. The Committee felt it was appropriate to undertake a tender process for the audit work and several firms were invited to submit tenders. In September 2021, after meeting all the firms selected and reviewing their presentations, the Committee selected MHA MacIntyre Hudson to be the Group auditors for FY22. The Committee considered a number of areas when reviewing the external auditor appointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and remuneration.

Auditor independence

The Audit Committee monitors the independence of the Group's external auditor. The Audit Committee considered the threats to the independence of MHA MacIntyre Hudson created by the provision of the non-audit services and concluded that sufficient safeguards were in place.

External audit process

The external auditor prepares a plan for its audit of the full year financial statements which was presented in March. The audit plan sets out the scope of the audit, areas of significant risk to focus their work on and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee.

Following its external audit process, the auditor presented its findings to the Audit Committee for discussion. Areas of risk, and other matters of audit relevance that were found during the audit process were discussed. New auditors have also been appointed.

Anti-corruption

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

Risk management and controls

As described in the Strategic Report and the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee has reviewed the framework and the Committee has identified areas where the internal control systems can be improved. The actions we are taking have been detailed elsewhere in this report and we will review and report on the success of these actions in next year's report. One of the risks that the Group has is its supply chain and we are pleased that we took action early in ordering additional stock for those items that might have been impacted by a delay in delivery. We continually review the suppliers we use and make sure we don't have an overdependence on one supplier and can obtain items from various locations meaning any impact on global supply routes is minimised.

MARTIN BLAIR
Chair of the Audit Committee


All Butter Flapjack
Gluten Free flapjack with oats & syrup.
Rocky Road
Gluten free rocky road with Belgian dark chocolate, gluten free biscuits, sultanas and Vegan marshmallows.
Honeycomb Tiffin
Gluten Free Belgian Chocolate tiffin with biscuits and honeycomb pieces.
Fruit & Nut Granola
Gluten Free All Butter granola with oats, dried fruits & almonds.
Cherry & Coconut
Gluten Free All Butter flapjack with
Salted Caramel Flapjack
Gluten Free flapjack topped with a layer of caramel, sprinkled with dark chocolate chunks, pumpkin seeds, pistachio nuts & almonds.
See base for allergen information.

Statement from the Chair of the Remuneration Committee

ENSURING AN APPROPRIATE LINK BETWEEN PERFORMANCE, STRATEGY AND REWARD

2021/22 has been a busy year for the Remuneration Committee, with much of our attention focused on agreeing remuneration packages for our new interim CFO and COO and other senior hires as the business has continued to grow in size and complexity.

Adam Batty
Remuneration Committee Chair

The business has once again shown considerable resilience in what has been a very unpredictable economy coming out of lockdown.

I am pleased to present this Remuneration Report for the year ending 31 March 2022.

The report comprises a description of how the Committee operates; a brief overview of the remuneration policy in place in the financial year and how we intend to implement it in 2022/23; together with details of compensation paid to the Board of Directors within the financial year.

Remuneration policy – a reminder of policy changes introduced last year

As reported last year, in 2021 the Committee undertook a comprehensive review of Executive Directors' remuneration and sought independent advice. This review took place to ensure the remuneration levels set were appropriately competitive in the market, recognised the skills and experience of the Executive Directors and reflected the strong financial performance (even during the pandemic) and growth in size of the Company since it listed on AIM. The review looked at the operation of variable incentive plans to ensure there continues to be an appropriate link between performance, strategy and reward.

As a result of the review last year, the remuneration policy was amended slightly to address the shortfall in Executive Director salaries to market levels, so base salaries were increased to recognise the responsibilities of the Directors and their strong performance but continued to be positioned at a modest level relative to equivalent roles at companies with similar characteristics and sector comparators. We also formalised our approach to granting long-term incentives, moving to a structure which incorporates a traditional three-year vesting period and a two-year holding period. During the year under review, the policy has been applied without the need for further changes.

Business context

The business has once again shown considerable resilience in what has been a very unpredictable economy coming out of lockdown. As set out in the Financial Review:

- Like-for-like sales growth of 12% in franchise stores in ten-month period to 31 March 2022
- 31 new shop openings and 14 new kiosks opened
- We achieved record revenue of £33.0m, up 50.7% on the prior year despite the ongoing impact of the government's lockdown restrictions throughout the financial year

- Adjusted profit before tax grew by 48.9% to £7.0m
- The Group's balance sheet remains strong, with net cash of £5.2m, up 43% on the prior year
- A final dividend for the year of 5.1p recommended (2021 – 3.7p).

FY21/22 outcomes

Annual bonus

The annual bonus remained capped at 75% of salary and was based on EBITDA and the achievement of strategic objectives. As a result of a successful year as set out above, the financial targets and the majority of non-financial targets were achieved in full.

While the maximum performance entitlement was achieved, the CEO and COO volunteered to waive in full their bonus entitlements.

Performance shares

Last year we set out our proposed policy to grant annual awards of performance shares. Despite this intention, at the point of making the planned awards, it was decided that it was not appropriate to make any awards in the financial year under review. The Committee fully intends to make an award in 2022/23 – such awards, for Executive Directors, will vest after three years and have a two-year post vesting holding period.

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

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

Chief Financial Officer departure

On 14 March 2022, we announced that after more than ten years at Cake Box, Pardip Dass, co-founder and Chief Financial Officer, would be stepping down from his role in order to pursue other interests. Given his co-founder status and contribution to the business, the Committee deemed Pardip to be a good leaver under the Company's incentive schemes.

Under his service contract, the Company had the right to place Pardip on garden leave and make a payment in lieu of base salary, benefits and statutory entitlements and any bonus is pro-rated for the duration of the notice period.

The notice period was six months and as Pardip worked alongside the new Interim CFO to provide an orderly handover, he formally stepped down as CFO on 31 March 2022. Pardip received a PILON (payment in lieu of notice) for the period from 1 April 2022 to 14 September 2022.

Under the bonus plan, the Committee deemed the financial targets to have been met in full (plus some but not all of the non-financial targets) and as Pardip served the full financial year, he was entitled to an annual bonus without pro-rating. Pardip's share awards will no longer vest and lapsed on his departure. For more details see page 49.

New Chief Operating Officer arrival

We also announced on 14 March 2022 the appointment of Richard Zivkovic as COO. Richard joined the business on 13 June 2022 as part of the strengthening of the senior management team.

Chay Watkins also joined the business as Marketing Director in April 2022.

We also employed an IT Director in August 2021.

Considerable time has been spent designing the remuneration packages of these new senior hires, working closely with the HR function to create an offer that rewards a new recruit's skills and experience while remaining consistent with the terms of our Directors' remuneration policy. Neither Richard nor Chay are Executive Directors of the Company, but their pay arrangements are broadly in line with the policy that applies to Executive Directors.

Implementation of policy in 2022/23

Executive Director salaries were reviewed during the financial year and base salaries have been increased in line with the 2022 cost of living pay increase for the wider workforce of 5%. Increases took effect from 1 April 2022.

Executive Directors will participate in the bonus and LTIP in FY23 and full detail of their participation is provided in this report.

Remuneration Report

For the first time last year, the Directors' Remuneration Report was subject to an advisory shareholder vote. I would like to take the opportunity to thank shareholders who gave us their views on our revised policy pay arrangements and over 99% voted in favour. I do hope you will support the remuneration resolution which will be tabled at the forthcoming AGM.

Summary

Against the backdrop of a record year for the Group in its fourth year as a public company, especially in the face of the ongoing challenging trading conditions arising out of COVID-19 and the inflationary pressures in the economy, the Committee is satisfied that the remuneration policy originally adopted in FY22 continues to be appropriate for FY23, operating in such a way as to drive, support and reward our critical leadership team to achieve our strategy both operationally and over the longer term, providing sustainable returns for our investors.

ADAM BATTY
Remuneration Committee Chair

Statement from the Chair of the Remuneration Committee continued

ANNUAL REPORT ON REMUNERATION

How the Committee operates

The Committee is appointed by the Board and is formed of Non-Executive Directors. In the year under review, the Committee was chaired by Adam Batty; the other members of the Committee were Neil Sachdev, Alison Green (who joined the Committee in August 2021) and Martin Blair.

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

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

The Committee's principal duties remain as follows:

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

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

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

Base salary

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

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

In FY21, a salary benchmarking exercise was undertaken by the Committee and there was a resulting slight repositioning of salary levels in order to attract and retain top talent as the business moves into its next stage of growth and maturity. In the year under review, the Committee has undertaken its annual review of salaries for the Executive Directors and senior management and awarded cost of living increases in line with the rest of the workforce (being an average uplift of c.5% of salary. As a result, the base salary of Sukh Chamdal increases to £230,000 and Dr Jaswir Singh to £135,000 with effect from 1 April 2022.

Pension and benefits

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

Annual bonus

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

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

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

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

Financial targets (80% weighting)

	Threshold (25% payable)	Maximum (100% payable)	Actual	% of EBITDA related bonus payable
EBITDA	£6.6m	£7.6m	£8.8m	100%

Non-financial targets (20% weighting)

The non-financial objectives related to rolling out the kiosk format alongside the opening of at least 24 stores, succession planning on the Executive Committee and building out the marketing function and digital capabilities (CEO objectives), deepening the relationship with our major investors, strengthening the Finance function, improving the financial acumen of franchisee facing business development staff and commencing a review on overseas opportunities (CFO objectives). For the COO, the non-financial objectives related to creating a plan to utilise data to drive customer retention, a customer insight project, new product development and devising the best way to measure customer satisfaction.

As a result of the record financial performance of the business in the year under review (with EBITDA of £8.8m exceeding the maximum EBITDA target set) and the achievement of the majority of their personal objectives, the Executive Directors were eligible for an annual bonus of up to 75% of salary.

However, the Committee can report that Sukh Chamdal and Dr Jaswir Singh have volunteered to waive their annual bonus.

The departing CFO Pardip Dass was paid an annual bonus equivalent to 50% of salary on his departure from the Company on 31 March 2022, the Committee having exercised its discretion to reduce it from 75% of salary. The bonus payment is subject to the usual clawback provisions, plus clawback if the year end audit process reduces the adjusted EBITDA figure used as the basis for this bonus payment.

Long-term incentives

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

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

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

In FY21, the Committee decided not to make any annual awards, in light of the disruption to the business caused by the COVID-19 crisis. In FY22, the Committee had planned to make a second award of performance shares in line with its decision to make annual overlapping awards. The proposed grant level was 100% of salary but on a three-year vesting period, rather than four-year, which the Committee felt would be in line with typical market practice and that this would help the Committee set more robust and accurate performance EPS targets. The Committee also committed to introducing going forward a two-year holding period to all future awards granted to Executive Directors, thereby ensuring a five-year gap between grant and the first available opportunity to benefit from a vested LTIP award.

However, the Committee decided not to make any awards of performance shares to the Executive Directors in FY22. The Committee intends to make awards to the Executive Directors in FY23, and annually thereafter.

The FY23 awards will be subject to an earnings per share measure relating to performance in FY25. Details of the EPS targets will be set out in the announcement that accompanies the next awards.

Statement from the Chair of the Remuneration Committee continued

Non-Executive Director fees

Fees for Non-Executive Directors are set with reference to market data, time commitment, responsibilities and chairmanship of Board Committees. Fees are normally reviewed biennially, and the current fees were set during FY20 to take effect from 1 April 2020 but were voluntarily deferred until August 2020 in line with the increases to the Executive Directors' salaries as a result of the COVID-19 crisis.

Following an independent review of fees for Non-Executive Directors during the year, which included a benchmarking exercise and taking into account the extensive amount of time each of the Non-Executive Directors commits to their role, the fees payable to the Non-Executive Directors for FY23 have increased to £75,000 for Neil Sachdev as Chair and to £45,000 for Adam Batty, Alison Green and Martin Blair. Other than their annual fee, as well as appropriate travel expenses to and from Board meetings, no additional compensation is payable.

Pay and conditions elsewhere in the Group

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

Service agreements

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

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

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

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

Remuneration

The Directors received the following remuneration for the financial year ended 31 March 2022.

	Salary and fees[1] £	Benefits in kind[2] £	Pension £	Annual bonus £	Termination payment £	**2022 Total £**	2021 Total £
Executive Directors							
Sukh Chamdal	229,000	3,602	1,320	–	–	**233,922**	190,903
Pardip Dass	191,006	1,913	1,320	–	175,000	**369,239**	126,884
Dr Jaswir Singh	134,000	2,979	1,320	–	–	**138,299**	99,404
Non-Executive Directors							
Adam Batty	38,500	–	–	–	–	**38,500**	37,333
Martin Blair	38,500	–	–	–	–	**38,500**	37,333
Alison Green	25,667		645		–	**26,312**	–
Neil Sachdev	62,500	–	–	–	–	**62,500**	60,000
Aggregate emoluments							

1 Includes £4,500 car allowance for the Executive Directors.
2 Includes the provision of private medical insurance.

Previous share-based awards to Executive Directors that were granted in 2019 have now lapsed and none remain outstanding.

There were no payments for loss of office made during the year.

When Pardip Dass stepped down on 31 March 2022, in accordance with section 430(2B) of the Companies Act 2006, there were no remuneration payments made or to be made to Pardip Dass as part of his departure from the Company. In respect of his six-month notice period, Pardip was paid a payment in lieu of base salary, benefits and statutory entitlements, together with an annual bonus based on the achievement of some of the strategic and all EBITDA objectives (subject to audit and clawback) during the full financial year. Despite the Group and Pardip achieving the financial and some of the non-financial objectives, the Committee determined that a bonus payment representing 50% of salary was appropriate in the circumstances. The total payment made to Pardip as a result was £175,000. When he stepped down, Pardip's outstanding share awards lapsed on cessation.

Statement of Directors' interests

The table below sets out the beneficial interests in shares and the unvested share options of all Directors holding office as at 31 March 2022:

	Ordinary shares		Unexercised share options		Total interests	
	At 31 March 2022	At 31 March 2021	**At 31 March 2022**	At 31 March 2021	**At 31 March 2022**	At 31 March 2021
Sukh Chamdal	**9,787,915**	12,787,915	**–**	266,667	**9,787,915**	13,054,582
Pardip Dass	**2,010,678**	3,895,418	**–**	175,000	**2,010,678**	4,070,418
Dr Jaswir Singh	**576,087**	556,012	**–**	133,333	**576,087**	689,345
Neil Sachdev	**33,510**	18,518	**–**	–	**33,510**	18,518
Alison Green	**6,000**	–	**–**	–	**6,000**	–
Martin Blair	**–**	–	**–**	–	**–**	–
Adam Batty	**–**	–	**–**	–	**–**	–

In respect of the share option award made in June 2019, the EPS performance targets that were set were for aggregate growth in EPS to be a sliding scale between 36.41p and 43.68p. As the actual aggregate growth in EPS for the three financial years was 33.4p, the performance condition has not been met and therefore the awards will lapse.

ADAM BATTY
Chair of the Remuneration Committee

Statement from the Chair of the Nomination Committee

The Nomination Committee is chaired by Neil Sachdev and its other members are Adam Batty, Alison Green (from August 2021) and Martin Blair who are all independent Directors.

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

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

Time commitments

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

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

Board effectiveness review

Reviews are undertaken annually, being internally facilitated but with an external facilitator every third year. Despite originally planning to conduct an externally facilitated Board evaluation during the year under review, the Committee decided, principally on timing grounds, to carry out an internal evaluation instead and commit to doing an externally facilitated evaluation exercise in FY23.

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

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

Continuous development of Directors

The Directors are all required to keep themselves abreast of changes in relevant legislation and regulations. The Chair and Non-Executives are encouraged to share their wider experiences at the Board to enhance the learning experiences of the whole Board at every meeting.

Succession planning and external appointments

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

All new external appointments require the Chair's approval.

Conflicts of interest

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

Independent professional advice

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

Directors' and officers' liability insurance

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

Election of Directors and officers

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

Culture and values

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

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

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

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

NEIL SACHDEV MBE
Non-Executive Chair

Directors' Report

The Directors present the Annual Report and audited financial statements for the Group for the year ended 31 March 2022.

Principal activity

The principal activity of the Group continues to be the specialist retailer of fresh cream cakes, and continues to be that of a holding company. The principal activities of its subsidiaries continue to be the retail trade of cakes and associated services.

Review of business

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

Results

The Group made a profit before income tax of £7,737,325 (2021 – £4,209.270) for the year ended 31 March 2022 on turnover of £32,964,846 (2021 – £21,910,862). At 31 March 2022 the Group had total assets of £25,564,934 (2021 – £19,154,113).

Dividends

The Directors proposed the payment of a final dividend of 5.1 pence per share for the year ended 31 March 2022 bringing the total dividend for the year to 7.5 pence per share (2021 – 5.55p).

Directors

The Directors who served during the year were:

P Dass (resigned on 31 March 2022)
S R Chamdal
A Green (appointed on 6 August 2021)
M Blair
N Sachdev
Dr J Singh
A Batty

Substantial shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital at 31 March 2022 are as follows

Name	Number of shares held	% of ordinary share capital
Sukh Chamdal & Mrs Santosh Chamdal	9,787,915	24.47%
Pardip Dass*	2,010,678	5.02%
Kulwinder Kaur	1,514,740	3.78%
Cannacord Genuity Wealth Management	4,784,607	11.96%
Amati Global Investors	3,865,254	9.66%
Axa Framlington Investment Managers	2,070,666	5.18%
Cazenove Capital Management	1,310,010	3.28%
CRUX Asset Management	1,853,058	4.63%

* Mr Dass sold 1,500,000 shares on 27 July 2022.

Confirmation of current concert party in accordance with the City Code on Takeovers and Mergers (the "Takeover Code")

Following changes to the Company's shareholder register since its admission to trading on AIM in June 2018 ("Admission"), including the reduction in the holding of the Company's Chief Executive Officer, Mr Sukh Chamdal, the Company and its advisors have agreed with the UK Panel on Takeover and Mergers (the "Panel") that the concert party that currently exists amongst the Company's shareholders consists of the persons set out below (the "Concert Party"). As part of this process, it was agreed with the Panel that the other persons who were shareholders in the Company immediately prior to Admission are not deemed to be acting in concert with any members of the Concert Party. Such persons include, amongst others, the Company's Chief Commercial Officer, Dr Jaswir Singh and Ms Kulwinder Kaur, the ex-spouse of Mr Dass (ex-CFO of the Company).

As at 29 July 2022, being the last practicable date prior to this disclosure, the Concert Party held 10,676,664 ordinary shares of the Company ("Ordinary Shares"), representing approximately 26.69%. of the Company's issued share capital. Should the Concert Party become interested in shares carrying 30% or more of the voting rights of the Company it may result in an obligation under Rule 9 of the Takeover Code to make a general offer for the Company.

Name	Description of the person	Ordinary share holding	% of issued share capital
Mr Sukh Chamdal	CEO and founder of the Company	4,743,442	11.86%
Mrs Santosh Chamdal	Spouse of Mr Chamdal	5,044,473	12.61%
Mr Pardip Dass	Ex CFO of the Company	510,678	1.28%
Miss Roseline Babul	Closely connected to Mr Dass	21,000	0.05%
Ms Priya Chamdal	Close family member of Mr Chamdal	50,000	0.125%

Directors' Report continued

Confirmation of current concert party in accordance with the City Code on Takeovers and Mergers (the "Takeover Code") continued

Name	Description of the person	Ordinary share holding	% of issued share capital
Ms Poonum Chamdal	Close family member of Mr Chamdal	50,000	0.125%
Mr Chandan Chamdal	Close family member of Mr Chamdal	50,000	0.125%
Mr Shelinder Bhurji	Close family member of Mr Chamdal	50,796	0.127%
Mrs Cerina Bhurji	Close family member of Mr Chamdal	50,000	0.125%
Mrs Mohinder Kaur Ubhoo	Close family member of Mr Dass	30,000	0.075%
Mr Kuliraj Ubhoo	Close family member of Mr Dass	11,217	0.028%
Mr Daljit Talwar	Close family member of Mr Dass	0	0.00%
Mr Davinder Talwar	Close family member of Mr Dass	50,000	0.125%
Mrs Taswinder Uboo	Close family member of Mr Dass	15,058	0.038%
Total		**10,676,664**	**26.69%**

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

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

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

Financial instruments
Information on the Group's financial instruments is disclosed in the Strategic Report and note 27 to the Financial Statements.

Research and development activities
During the year the Company conducted research and development in respect of cake innovations.

Unlawful dividend
During the end-of-year audit process, the Board became aware of an issue concerning technical compliance with the Companies Act 2006 in relation to past dividend payments. Although there were sufficient distributable reserves and cash held in the Group which could have been distributed, dividends were declared at a time when the Group's holding company itself, Cake Box Holdings plc, did not hold adequate distributable reserves by reference to its last set of annual accounts. The Group's historic reported trading results and financial condition are entirely unaffected. The Board proposes to put resolutions to shareholders at the time of the 2022 Annual General Meeting to address this past issue.

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

Post balance sheet events
There are no material post balance sheet events to report.

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

Auditor
RSM UK Audit LLP resigned as auditor on 16 September 2021 and MHA MacIntyre Hudson LLP were appointed in their place.

The auditor, MHA MacIntyre Hudson LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board

S R CHAMDAL
Director

Date: 27 June 2022

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

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

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

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

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

Opinion

We have audited the financial statements, for the year ended 31 March 2022, which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated cash flow statement;
- the consolidated statement of changes in equity;
- the notes to the consolidated financial statements 1 to 33;
- the Company statement of financial position;
- the Company cash flow statement;
- the Company statement of changes in equity; and
- the notes to the Company financial statements 1 to 14.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with applicable law and United Kingdom adopted International Financial Reporting Standards (UK Adopted IFRS); and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's operations and specifically its business model.
- The evaluation of how those risks might impact on the Group's available financial resources.
- Review of the mathematical accuracy of the cash flow forecast model prepared by management and corroboration of key data inputs to supporting documentation for consistency of assumptions used with our knowledge obtained during the audit.
- Challenging management for reasonableness of assumptions in respect of the timing and quantum of cash receipts and payments included in the cash flow model.
- Where additional resources may be required the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Holding discussions with management regarding future financing plans, corroborating these where necessary and assessing the impact on the cash flow forecast.
- Evaluating the accuracy of historical forecasts against actual results to ascertain the accuracy of management's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Materiality	The overall materiality that we used for the Group financial statements was £333,000 (2021: £237,000), which was determined as 4.3% of profit before tax (2021: 4.4% of EBITDA). The overall materiality for the Parent Company financial statements was £22,500 (2021: £37,900), which was determined as 2.6% of gross assets (2021: 3% of gross assets). Performance materiality was set at 60% (2020: 75%) of materiality for both the Group and Parent.
Scope	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. The Group consists of three reporting components, all of which were considered to be significant components: Cake Box Holdings Plc, Eggfree Cake Box Ltd and Chaz Ltd. The significant components were subjected to full scope audits for the purposes of our audit report on the Group financial statements. Material subsidiaries were determined based on: 1) financial significance of the component to the Group as a whole, and 2) assessment of the risk of material misstatements applicable to each component. Our audit scope results in all major operations of the Group being subject to audit work.
Key audit matters	In addition to the matters described in the Basis for opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report: • Stock valuation • Completeness of provisions for litigations and claims • Revenue recognition

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement, whether or not due to fraud, that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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

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

Completeness of provisions for litigations and claims	
Key audit matter description	During the previous year, management became aware of a data breach which had occurred via the Group's website. This took place between March 2020 and August 2020. Following on from this, in February 2021 the Group's payment platform's lawyer had contacted the Group to inform them that a fine was to be issued. In 2020, the Group recognised a provision totalling £486,000. This included the fine from the payment platform itself and also incorporated expected fines from the Information Commissioner's Office (ICO) in respect of GDPR non-compliance and related costs. From the original £486,000 provision recognised, there is currently £243,000 remaining which represents management's estimate regarding future fines and claims. We consider the completeness of provisions for litigations and claims to be a key audit matter, due to the significant level of judgement and estimation involved in calculating the provision recognised in the financial statements.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: • We discussed with management the developments in the current year relating to the provision brought forward, including assessing the accuracy of any amount outstanding. • We performed a review of payments made in the current period and analysed any payments still outstanding at the year end, including any additional amounts that required providing for. • We obtained the penetration report completed by the independent 3rd party company who were responsible for the investigation into the data breach. • We reviewed disclosures included within the Group's financial statements to ensure their completeness and accuracy surrounding the matter. • We obtained evidence from the Group's legal advisors who dealt with the claim alongside enquiring as to the existence of any additional legal claims or disputes that involve the Group. • We completed a detailed review of all legal & professional expense codes alongside corroboration from management to identify any undisclosed litigation. • We completed an assessment as to the quantum of any provision required for claims not yet received.
Key observations	No issues have been identified from the audit procedures performed over the completeness of litigations and claims.

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

Our application of materiality

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

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

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

	Group financial statements	**Parent Company financial statements**
Overall materiality	£333,000 (2021: £237,000)	£22,500 (2021: £37,900)
How we determined it	4.3% of profit before tax (2021: 4.4% of EBITDA)	2.6% of gross assets (2021: 3% of gross assets)
Rationale for the benchmark applied	We consider profit before tax to be the main measure by which the users of the financial statements assess the financial performance and success of the Group. Therefore, we consider this to be the most appropriate benchmark for Group materiality.	The Parent Company is largely a holding company incurring limited costs and therefore gross assets has been considered the most appropriate benchmark for materiality.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group and the Parent Company performance materiality was set at 60% (2021: 75%) of Group and Parent Company materiality respectively for the 2022 audit. In determining performance materiality, we considered our understanding of the entity, including the quality of the control environment and whether we were able to rely on controls, and the nature, volume and size of uncorrected misstatements in the previous period.

We agreed with management that we would report to them all audit differences in excess of £16,650 (2021: £11,800) for the Group and £1,125 (2021: £1,890) for the Company as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to management on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Overview of the scope of our audit

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

The coverage achieved by our audit procedures was:

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Matters on which we are required to report by exception continued
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the Directors
As explained more fully in the Directors' responsibilities statement, as set out on page 53, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management to identify any instances of non-compliance with laws and regulations.
- Enquiry of management around actual and potential litigation and claims.
- Enquiry of management to identify any instances of known or suspected instances of fraud.
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Reviewing minutes of meetings of those charged with governance.
- Holding discussions with the Group's legal advisors to ascertain any ongoing claims or issues during the year.
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Reviewing internal audit reports.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for claims incurred but not reported.

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

This description forms part of our auditor's report.

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

ANDREW MOYSER
FCA FCCA (Senior Statutory Auditor)

For and on behalf of MHA MacIntyre Hudson, Statutory Auditor
London
26 June 2022

Consolidated Statement of Comprehensive Income for the year ended 31 March 2022

	Note	2022 £	As restated 2021 £
Revenue	3	**32,964,846**	21,910,862
Cost of sales		**(17,133,685)**	(10,978,993)
Gross profit		**15,831,161**	10,931,869
Administrative expenses before exceptional items		**(8,794,413)**	(6,198,981)
Exceptional items	10	**781,965**	(486,319)
Administrative expenses	4	**(8,012,448)**	(6,685,300)
Operating profit	5	**7,818,713**	4,246,569
Finance income	6	**1,802**	4,087
Finance expense	6	**(83,190)**	(41,386)
Profit before income tax		**7,737,325**	4,209,270
Income tax expense	11	**(1,425,709)**	(842,362)
Profit after income tax		**6,311,616**	3,366,908
Other comprehensive income for the year			
Revaluation of freehold property	13	**1,250,175**	1,274,901
Deferred tax on revaluation of freehold property	12	**(237,533)**	(242,231)
Total other comprehensive income for the year		**1,012,642**	1,032,670
Total comprehensive income for the year		**7,324,258**	4,399,578
Attributable to:			
Equity holders of the parent		**7,324,258**	4,399,578
Earnings per share			
Basic	33	**15.78p**	8.42p
Diluted	33	**15.78p**	8.42p

The notes on pages 63 to 85 form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 March 2022
Company Registration No. 08777765

	Note	2022 £	As restated 2021 £
Assets			
Non-current assets			
Property, plant and equipment	13	**10,029,209**	8,501,602
Right-of-use assets	14	**2,874,430**	–
Other financial assets	17	**710,059**	656,004
Deferred tax asset	12	**–**	95,447
		13,613,698	9,253,053
Current assets			
Inventories	15	**2,468,921**	1,902,171
Trade and other receivables	16	**2,553,209**	2,490,217
Other financial assets	17	**357,548**	382,808
Cash and cash equivalents	31	**6,571,558**	5,125,864
		11,951,236	9,901,060
Total assets		**25,564,934**	19,154,113
Equity and liabilities			
Equity			
Issued share capital	18	**400,000**	400,000
Capital redemption reserve	19	**40**	40
Revaluation reserve	19	**3,634,734**	2,622,092
Share option reserve	21	**–**	488,596
Retained earnings	19	**12,475,031**	8,643,415
Equity attributable to the owners of the Parent Company		**16,509,805**	12,154,143
Current liabilities			
Trade and other payables	23	**2,661,372**	3,353,749
Lease liabilities	14	**260,191**	–
Short-term borrowings	22	**167,754**	167,754
Current tax payable		**837,946**	903,469
Provisions	24	**243,100**	486,319
		4,170,363	4,911,291
Non-current liabilities			
Lease liabilities	14	**2,699,958**	–
Borrowings	22	**1,185,978**	1,318,005
Deferred tax liabilities	12	**998,830**	770,674
		4,884,766	2,088,679
Total equity and liabilities		**25,564,934**	19,154,113

The financial statements were approved and authorised for issue by the Board on 26 June 2022 and signed on its behalf by:

S R CHAMDAL
Director

The notes on pages 63 to 85 form part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 March 2022

	Note	2022 £	As restated 2021 £
Cash flows from operating activities			
Profit before income tax		7,737,325	4,209,270
Adjusted for:			
Depreciation	4 & 13	853,633	670,333
Amortisation of right-of-use assets	4 & 14	124,975	–
Exceptional items		–	486,319
Profit on disposal of tangible fixed assets		(13,154)	(18,972)
(Increase)/decrease in inventories		(566,749)	(505,936)
(Increase)/decrease in trade and other receivables		(82,993)	(1,172,048)
(Increase)/decrease in other financial assets		(28,794)	(893,749)
(Decrease)/increase in trade and other payables		(915,596)	1,860,596
Share-based payments (credit)/charge		(486,368)	288,000
Finance income		(1,802)	(4,087)
Cash generated from operations		6,620,477	4,919,726
Finance costs		83,190	41,386
Taxation paid		(1,407,391)	(646,995)
Net cash inflow from operating activities		5,296,276	4,314,117
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,133,926)	(704,959)
Proceeds from sale of property, plant and equipment		16,014	26,446
Interest received		1,802	4,087
Net cash outflow from investing activities		(1,116,110)	(674,426)
Cash flows from financing activities			
Repayment of finance leases		(39,255)	–
Repayment of borrowings		(132,027)	(128,283)
Dividends paid	8	(2,480,000)	(2,020,000)
Interest paid		(83,190)	(41,586)
Net cash outflow from financing activities		(2,734,472)	(2,189,869)
Net increase in cash and cash equivalents		1,445,694	1,449,822
Cash and cash equivalents brought forward		5,125,864	3,676,042
Cash and cash equivalents carried forward	31	6,571,558	5,125,864

Prior year comparatives have been restated due to a change in presentation for the other financial assets only.

The notes on pages 63 to 85 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 March 2022

	Attributable to the owners of the Parent Company					
	Share capital £	Capital redemption reserve £	Share option reserve £	As restated Revaluation reserve £	Retained earnings £	As restated Total £
At 31 March 2020	400,000	40	198,368	1,589,422	7,296,507	9,484,337
Profit for the year	–	–	–	–	3,366,908	3,366,908
Revaluation of freehold property	–	–	–	1,274,901	–	1,274,901
Deferred tax on revaluation of freehold property	–	–	–	(242,231)	–	(242,231)
Total comprehensive income for the year	–	–	–	1,032,670	3,366,908	4,399,578
Transactions with owners in their capacity as owners						
Share-based payments	–	–	288,000	–	–	288,000
Deferred tax on share-based payments			2,228			2,228
Dividends paid	–	–	–	–	(2,020,000)	(2,020,000)
At 31 March 2021	**400,000**	**40**	**488,596**	**2,622,092**	**8,643,415**	**12,154,143**
Profit for the year	–	–	–	–	6,311,616	6,311,616
Revaluation of freehold property	–	–	–	1,250,175	–	1,250,175
Deferred tax on revaluation of freehold property	–	–	–	(237,533)	–	(237,533)
Total comprehensive income for the year	–	–	–	1,012,642	6,311,616	7,324,258
Transactions with owners in their capacity as owners						
Share-based payments	–	–	(486,368)	–	–	(486,368)
Deferred tax on share-based payments	–	–	(2,228)	–	–	(2,228)
Dividends paid	–	–	–	–	(2,480,000)	(2,480,000)
At 31 March 2022	**400,000**	**40**	**–**	**3,634,734**	**12,475,031**	**16,509,805**

The notes on pages 63 to 85 form part of these financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

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 consolidated financial statements for the year ended 31 March 2022 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 revisions 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.

Freehold property – Judgement
Freehold properties are held at valuation.

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 30 to the Company's separate financial statements.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

2. Accounting policies continued

2.4 Application of new and revised IFRSs

In the current year, the Group has applied a number of other amendments to Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. This has not had any material impact on the amounts reported for the current and prior years. These include:

		Effective date
IFRS 9, IAS 39 & IFRS 7	IBOR (Inter-Bank Offered Rates) Reforms Phase 2	1 January 2021

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
IFRS 3	Amendments References to the Conceptual Framework in IFRS standards.	1 January 2022
IAS 16	Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	1 January 2022
IAS 37	Amendments regarding the costs to include when assessing whether a contract is onerous.	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020 (Amendments).	1 January 2022
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 COVID-19 pandemic has been unprecedented in scale and impact and the Directors have taken swift and decisive action to protect customers, colleagues, franchisees and the communities in which the Group operates, by implementing the necessary steps to safeguard business through the crisis, in line with UK Government guidelines.

The current cash balance has increased by £0.2m to £6.8m, and 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 it is in a position where the scenario of not meeting liabilities is remote. After making enquiries and considering the assumptions upon which the forecasts have been based, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period of at least 12 months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Accounting policies continued

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. It is considered highly unlikely that an impairment would ever be required.

Online sales of cakes and related products to customers

Online sales which include Click & 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 2022. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different from 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 reverse.

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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

2. Accounting policies continued

2.9 Tangible fixed assets – 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 50 years
Plant & machinery	–	25% Straight-line method
Motor vehicles	–	25% Straight-line method
Fixtures & fittings	–	25% Straight-line method
Assets under construction	–	Not depreciated

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit 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 impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at each Consolidated Statement of Financial Position date.

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

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

2.11 Inventories

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

2.12 Financial instruments

Recognition of financial instruments

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

Trade and other receivables

Trade and other receivables without a significant financing component are initially measured at transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Other financial assets – loans to franchisees

Other financial assets 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 are made if required.

Trade and other payables

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

Bank loans and overdrafts

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

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

2. Accounting policies continued

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

2.14 Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and deposits with maturities of three months or less from inception, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

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

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using a revised discount rate (unless the lease payment 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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

2. Accounting policies continued

2.17 Employee benefits

Short-term employee benefits

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

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 employees before the normal retirement age, or

b. The provision of termination benefits in relation to an offer made to encourage voluntary redundancy.

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

2.18 Provisions and contingencies

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

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

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

2.19 Share capital

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

2.20 Research and development

Research and development expenditure is charged to the Consolidated Statement of Comprehensive Income in the year in which it is incurred. The expenditure does not meet the definition of 'Development' under IAS 38.

2.21 Fair value measurement

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

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

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

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

2. Accounting policies continued

2.22 Share-based payment

Where share options are awarded to employees, the fair value of the options (measured using the Black-Scholes model) at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are 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 is known that vesting conditions will not be met. Previous charges to the Statement of Comprehensive Income are credited back to this statement.

2.23 Exceptional items

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

3. Segment reporting

Components reported to the chief operating decision-maker (CODM) are not separately identifiable and as such we 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:

	2022 £	2021 £
Sales of sponge	**12,301,051**	8,199,509
Sales of food	**5,479,076**	3,542,798
Sales of fresh cream	**3,442,619**	2,419,431
Sales of other goods	**7,023,665**	4,581,678
Online sales commission	**937,640**	470,499
Franchise packages	**3,780,795**	2,696,947
	32,964,846	21,910,862

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 2022 or 2021.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

4. Expenses by nature

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

	2022 £	2021 £
Wages and salaries	5,302,849	3,702,499
Travel and entertaining costs	372,303	210,587
Supplier costs	293,620	233,258
Professional costs	839,897	538,533
Depreciation	853,633	670,333
Amortisation of right-of-use assets	124,975	–
Rates and utilities costs	307,200	294,292
Property maintenance costs	338,817	193,607
Advertising costs	312,907	317,154
Other costs	48,212	38,718
Exceptional items (see note 10)	(781,965)	486,319
	8,012,448	6,685,300

5. Operating profit

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

	2022 £	As restated 2021 £
Depreciation of tangible fixed assets	853,633	670,333
Amortisation of right-of-use asset	124,975	–
Stock recognised as an expense	17,133,685	10,978,933
Profit on disposal of property, plant & equipment	(13,154)	(18,972)
Research and development charged as an expense	–	215,555
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	75,000	87,000
Fees payable to the Group's auditor and its associates for the audit of the Group's interim financial statements	–	7,500
Share-based payment (credit)/expense	(486,368)	288,000

The comparative figure for 'Stock recognised as an expense' has been measured to reflect the cost of purchase and associated conversion costs in the current year and the comparative amount restated accordingly.

6. Net finance costs

	2022 £	2021 £
Finance expenses		
Bank loan interest	33,971	35,771
Finance lease interest	46,228	–
Interest on overdue tax	2,991	5,615
Finance income		
Bank interest receivable	(1,802)	(4,087)
	81,388	37,299

7. Staff costs

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

	2022 £	2021 £
Wages and salaries	4,737,683	3,055,008
Social security costs	456,259	287,875
Pension costs	56,798	42,080
Private health	52,109	29,536
Share-based payment expense	–	288,000
	5,302,849	3,702,499
Reversal of share-based payment expense (note 10)	(486,368)	–
	4,816,481	3,702,499

The average monthly number of employees, including Directors, for the year was 155 (FY21 – 107). The breakdown by department is as follows:

	2022 £	2021 £
Directors	7	7
Admin	31	24
Maintenance	17	11
Production & Logistics	100	65
	155	107

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

8. Dividends

	2022 £	2021 £
Interim dividend of 1.85p per ordinary share	–	740,000
Final dividend of 3.2p per ordinary share proposed and paid during the year relating to the previous year's results	–	1,280,000
Interim dividend of 2.5p per ordinary share	1,000,000	–
Final dividend of 3.7p per ordinary share proposed and paid during the year relating to the previous year's results	1,480,000	–
	2,480,000	2,020,000

Since the year end the Directors recommend payment of a dividend of 5.1 pence (FY21 – 3.7 pence) per share totalling £2,040,000 (2021 – £1,480,000) for the year ended 31 March 2022.

During the end-of-year audit process, the Board became aware of an issue concerning technical compliance with the Companies Act 2006 in relation to past dividend payments. Although there were sufficient distributable reserves and cash held in the Group which could have been distributed, dividends were declared at a time when the Group's holding company itself, Cake Box Holdings Plc, did not hold adequate distributable reserves by reference to its last set of annual accounts. The Group's historic reported trading results and financial condition are entirely unaffected.

The Board proposes to put resolutions to shareholders at the time of the 2022 Annual General Meeting to address this past issue.

9. Directors' remuneration and key management personnel

The Directors' remuneration is disclosed within the Directors' Remuneration Report on page 49. The Executive Directors are considered key management personnel. Employer's NIC paid on Directors' remuneration in the year was £114,388 (FY21 – £62,287).

10. Exceptional items

	2022 £	2021 £
Website data breach (note 24)	–	486,319
Lapse of share options (note 21)	(486,368)	–
Reversal of accrued rates	(295,597)	–
	(781,965)	486,319

Rates and utilities costs includes 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. Please see relevant notes for further information on the website data breach and lapse of share options.

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	1,340,469	900,406
Adjustments in respect of previous periods	(838)	1,536
Deferred tax		
Arising from origination and reversal of temporary differences	86,078	(59,580)
Taxation on profit on ordinary activities	1,425,709	842,362

11. Taxation continued

Factors affecting tax charge for the year
The tax assessed for the year is lower than (FY21 – higher than) the standard rate of corporation tax in the UK of 19% (FY21 – 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	7,737,325	4,209,270
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (FY21 – 19%)	1,470,092	799,761
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	11,700	95,115
Income not taxable	(22,267)	–
Deferred tax not provided	22	–
Use of super deduction allowance	(33,808)	–
Adjustment in research and development tax credit leading to a decrease in the tax charge	–	(53,242)
Difference in tax rates used within share-based payments	808	(808)
Adjustments to tax charge in respect of prior periods	(838)	1,536
Total tax charge for the year	1,425,709	842,362

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.

12. Deferred taxation

	2022 £	As restated 2021 £
Balance brought forward	675,227	494,805
Charged to other comprehensive income:		
Deferred tax on revalued freehold property	237,533	242,231
Charged directly to reserves:		
Employee benefits (including share-based payments)	2,228	(2,228)
Charged to profit and loss:		
Accelerated capital allowances	(7,557)	(3,715)
Share-based payments	93,219	(55,529)
Other short-term timing differences	(1,820)	(337)
Balance carried forward	998,830	675,227

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

12. Deferred taxation continued

	2022 £	2021 £
Deferred tax liabilities		
Accelerated capital allowances	**189,704**	197,261
Other short-term timing differences	**(3,571)**	(1,751)
Property revaluations (including indexation)	**812,697**	575,164
	998,830	770,674
Deferred tax assets		
Employee benefits (including share-based payments)	**–**	(95,447)
	998,830	675,227

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

	As restated					
	Assets under construction £	Freehold property & improvements £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation						
At 1 April 2020	1,038,177	4,786,703	985,449	601,030	1,657,638	9,068,997
Additions	82,396	115,206	88,295	146,005	273,057	704,959
Disposals	–	–	–	(44,165)	–	(44,165)
Revaluations	–	1,274,901*	–	–	–	1,274,901
At 31 March 2021	**1,120,573**	**6,176,810**	**1,073,744**	**702,870**	**1,930,695**	**11,004,692**
Depreciation						
At 1 April 2020	–	70,539	648,033	303,263	847,613	1,869,448
Charge for the year	–	116,704	138,766	132,471	282,392	670,333
Disposals	–	–	–	(36,691)	–	(36,691)
At 31 March 2021	**–**	**187,243**	**786,799**	**399,043**	**1,130,005**	**2,503,090**
Net book value						
At 31 March 2021	**1,120,573**	**5,989,567**	**286,945**	**303,827**	**800,690**	**8,501,602**

13. Property, plant and equipment continued

	Assets under construction £	Freehold property & 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	–	555,446	107,697	373,516	97,267	1,133,926
Disposals	–	–	–	(43,910)	–	(43,910)
Transfers between classes	(1,120,573)	1,120,573	–	–	–	–
Revaluations	–	1,250,175	–	–	–	1,250,175
At 31 March 2022	**–**	**9,103,004**	**1,181,441**	**1,032,476**	**2,027,962**	**13,344,883**
Depreciation						
At 1 April 2021	–	187,243	786,799	399,043	1,130,005	2,503,090
Charge for the year	–	236,353	84,866	180,840	351,574	853,633
Disposals	–	–	–	(41,049)	–	(41,049)
At 31 March 2022	**–**	**423,596**	**871,665**	**538,834**	**1,481,579**	**3,315,674**
Net book value						
At 31 March 2022	**–**	**8,679,408**	**309,776**	**493,642**	**546,383**	**10,029,209**

Assets under construction became operational during the year.

* During the year the Directors expanded the freehold property column in the fixed assets note to include property improvement costs, which were previously included in fixtures and fittings, in order to provide more clarity. This included a revaluation of freehold properties as detailed in note 20. Prior year comparatives have been restated.

As at 31 March 2022, all freehold property was valued by independent third party qualified valuers, in accordance with the RICS Valuation – Global Standards 2017 (the Red Book). 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 2022 £	Valuation technique	Sq. ft.	Rate per sq. ft. Min	Max	Average
Enfield	**7,000,000**	Vacant possession	39,121	125	250	179
Coventry	**1,080,000**	Vacant possession	13,000			83
Bradford	**525,000**	Vacant possession	9,358			56
Improvements at Mollison	**74,408**	Net book value	n/a	n/a	n/a	n/a
Total	**8,679,408**					

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

	2022 £	2021 £
Historic cost	**3,433,746**	2,442,744

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

14. Leases

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

	Properties £
Cost	
At 1 April 2021	–
Additions	2,999,405
At 31 March 2022	**2,999,405**
Depreciation	
At 1 April 2021	–
Charge for the year	124,975
At 31 March 2022	**124,975**
Net book value	
At 31 March 2022	**2,874,430**

Additions relate to the lease of a new property undertaken in the year.

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

	2022 £	2021 £
Lease liabilities		
Current	**260,191**	–
Non-current	**2,699,958**	–
	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:

	2022 £	2021 £
Depreciation expense of right-of-use assets	**124,975**	–
Interest expense on lease liabilities	**46,228**	–

The total cash outflow for leases amounted to £85,483 (FY21 – £Nil).

15. Inventories

	2022 £	2021 £
Finished goods and goods for resale	**2,468,921**	1,902,171

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

16. Trade and other receivables

	2022 £	2021 £
Trade receivables	**2,002,807**	2,041,673
Other receivables	**280,613**	17,147
Prepayments	**269,789**	431,397
	2,553,209	2,490,217
Non-current	**–**	–
Current	**2,553,209**	2,490,217
	2,553,209	2,490,217

The fair values of those trade and other receivables classified as financial assets at amortised cost are disclosed in the financial instruments note (note 27).

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 28).

17. Other financial assets

	2022 £	2021 £
Loans to franchisees	**1,067,607**	1,038,812
Non-current	**710,059**	656,004
Current	**357,548**	382,808
	1,067,607	1,038,812

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.

18. Share capital

	2022 £	2021 £
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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

19. Reserves

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

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

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

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

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

20. Prior period adjustment

During the year it was discovered that an uplift in fair value of freehold properties was not properly reflected in the financial statements in the prior year. This has been corrected in the financial statements.

The following financial statements were affected as a result:

Extract of Consolidated Statement of Comprehensive Income

	As previously reported	*Adjustment to fair value of properties*	Restated
Profit after income tax	**3,366,908**	–	**3,366,908**
Other comprehensive income for the year			
Revaluation of freehold property	**24,901**	*1,250,000*	**1,274,901**
Deferred tax on revaluation of freehold property	**(4,731)**	*(237,500)*	**(242,231)**
Total other comprehensive income for the year	**20,170**	*1,012,500*	**1,032,670**
Total comprehensive income for the year	**3,387,078**	*1,012,500*	**4,399,578**

Extract of Consolidated Statement of Financial Position

	As previously reported	*Adjustment to fair value of properties*	Restated
Property, plant and equipment	7,251,602	*1,250,000*	8,501,602
Total assets	**8,003,053**	*1,250,000*	**9,253,053**
Revaluation reserve	1,609,592	*1,012,500*	2,622,092
Equity attributable to the owners of the Parent Company	**1,609,592**	*1,012,500*	**2,622,092**
Deferred tax liabilities	533,174	*237,500*	770,674
Total equity and liabilities	**17,904,113**	*237,500*	**19,154,113**

There is no impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the years ended 31 March 2021 or 2022.

21. Share-based payments

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

	2022 Weighted average exercise price (pence)	**2022 Number**	2021 Weighted average exercise price (pence)	2021 Number
Outstanding as at 1 April	**64**	**688,400**	64	688,400
Lapsed during the year	**(64)**	**(688,400)**	–	–
Outstanding as at 31 March	**–**	**–**	64	688,400

No share options were granted, forfeited or exercised during the current or prior year. The share options lapsed during the year as the vesting conditions were not met. The share-based payments expense of £486,368 brought forward as at 31 March 2021 has been reversed as an exceptional item.

22. Borrowings

	2022 £	2021 £
Current borrowings		
Bank loans	**167,754**	167,754
Non-current borrowings		
Bank loans	**1,185,978**	1,318,005
	1,353,732	1,485,759

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 is charged on the loans. The loans are repayable in monthly instalments with final payments due between March 2024 and November 2025.

23. Trade and other payables

	2022 £	2021 £
Trade payables	**1,994,411**	2,495,741
Other taxation and social security	**340,035**	242,473
Other payables	**36,497**	21,099
Accruals	**290,429**	594,436
	2,661,372	3,353,749

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

24. Provisions

	2022 £	2021 £
Website data breach	**243,100**	486,319

The provision represents 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.

	Website data breach £
Carrying amount at the start of the year	486,319
Reversed during the year	(243,219)
Carrying amount at the end of the year	243,100

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £56,798 (FY21 – £42,080). Contributions totalling £19,890 (FY21 – £10,089) were payable to the fund at the Statement of Financial Position date and are included in other payables (see note 23).

26. Related party transactions

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

Details of amounts paid to key management personnel which includes Executive and Non-Executive Directors are included within note 9 and the Directors' Remuneration Report on page 49.

Key management personnel had an interest in dividends as follows:

	2022 £	2021 £
Sukh Chamdal	**792,851**	645,790
Pardip Dass	**133,995**	196,719
Dr Jaswir Singh	**34,473**	28,079
Neil Sachdev	**1,148**	935
Alison Green	**222**	–
	962,689	871,523

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:

	2022		2021	
Sukh Chamdal	**Sales £**	**Balance £**	Sales £	Balance £
Cake Box (Crawley) Limited (0%)[1]	**168,684**	**11,095**	111,825	2,639
Cake Box CT Limited (0%)[1]	**280,706**	**19,326**	222,752	20,157
Cake Box (Strood) Limited (0%)[2]	**157,247**	**2,241**	147,985	3,361
Cake Box (Gravesend) Limited (0%)[3]	**–**	**–**	123,162	(1,021)
	606,637	**32,662**	605,724	25,136

1 100% owned by a daughter of Mr Chamdal.
2 50% owned by a daughter of Mr Chamdal.
3 This store is no longer considered to be a related party. A daughter of Mr Chamdal previously owned 50% but her shareholding reduced to 0%.

26. Related party transactions continued

	2022		2021	
Pardip Dass	**Sales £**	**Balance £**	Sales £	Balance £
Eggfree Cake Box Barking Limited (30%)	**250,382**	**6,803**	242,150	2,840
	250,382	**6,803**	242,150	2,840

	2022		2021	
Dr Jaswir Singh	**Sales £**	**Balance £**	Sales £	Balance £
Luton Cake Box Limited (10%)	**419,676**	**15,544**	361,150	7,563
Peterborough Cake Box Limited (30%)	**258,807**	**5,983**	219,363	10,227
Cream Cake Limited (30%)	**230,591**	**12,971**	171,051	6,107
MK Cakes Limited (0%)[4]	**292,202**	**10,532**	218,676	(3,578)
Bedford Cake Box Limited (0%)[4]	**199,553**	**5,436**	145,883	1,432
Chaz Cakes Limited (50%)	**266,563**	**6,446**	161,371	1,231
Eggless Cake Company (50%)	**194,201**	**9,366**	165,623	2,698
	1,861,593	**66,278**	1,443,117	25,680

4 100% owned by Dr Singh's son or daughter.

27. Financial instruments

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

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

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note and note 28.

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

Financial assets

	Held at amortised cost	
	2022 £	2021 £
Cash and cash equivalents	**6,571,558**	5,125,864
Trade and other receivables	**2,116,254**	2,058,820
Other financial assets	**1,067,607**	1,038,812
	9,755,419	8,223,496

Financial liabilities

	Held at amortised cost	
	2022 £	2021 £
Trade and other payables	**2,584,437**	3,111,275
Secured borrowings	**1,353,732**	1,485,759
	3,938,169	4,597,034

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

28. Financial risk management

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

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

Credit risk and impairment

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

Definition of default

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

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

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

Impairment of trade receivables and other financial assets

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

In accordance with IFRS 9, the Group performed a year-end impairment exercise to determine whether any write down in amounts receivable was required, using an expected credit loss model. The expected loss rate for receivables including other financial assets is 0% on the basis of the Group's history of bad debt write offs.

As at 31 March 2022, the total loss allowances against the Group's financial assets were immaterial and no charge to the income statement was recognised.

Liquidity risk

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

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

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

28. Financial risk management continued

Borrowings

	2022 £	2021 £
Borrowings – Due within one year	167,754	167,754
Borrowings – Due between one to two years	167,754	167,754
Borrowings – Due between two to five years	1,018,224	1,150,251
	1,353,732	1,485,759
Right-of-use assets – Due within one year	260,191	–
Right-of-use assets – Due between one to two years	270,119	–
Right-of-use assets – Due between two to five years	873,777	–
Right-of-use assets – Due after more than five years	1,556,062	
	2,960,149	–

Trade and other payables

	2022 £	2021 £
0 to 30 days	2,049,774	2,364,512
30 to 60 days	249,613	447,476
60 to 90 days	17,646	41,348
90 to 120 days	73,891	40,300
120 days to 1 year	193,513	217,639
	2,584,437	3,111,275

Over 90 days amounts include long-term deposits from franchisees.

Interest rate risk

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

The Group analyses the interest rate exposure on a regular basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging. Based on the simulations performed, the impact on profit or loss and net assets of a 25 basis-point shift (being the maximum reasonable expectation of changes in interest rates) would be a change of £3,384 (FY21 – £3,714).

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

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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2022

29. Post statement of financial position events

Post year end the Directors have recommended dividends of 5.1p per share (FY21 – 3.7p per share).

30. Subsidiary undertakings

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

Name	Country of incorporation	Class of shares	Holding	Principal activity
Eggfree Cake Box 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.

31. Notes supporting statement of cash flows

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

	2022 £	2021 £
Cash at bank available on demand	6,570,739	5,123,796
Cash on hand	819	2,068
	6,571,558	5,125,864

There were no significant non-cash transactions from financing activities (FY21 – 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 1 April 2020	–	–	1,446,288	167,754	1,614,042
Cash flows					
Repayments	–	–	–	(167,754)	(167,754)
Non-cash flows:					
Interest	–	–	39,471	–	39,471
Non-current liabilities becoming current during the year	–	–	(167,754)	167,754	–
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**

32. Ultimate controlling party

The Group considers there is no ultimate controlling party.

33. Earnings per share

	2022 £	2021 £
Profit after tax attributable to the owners of Cake Box Holdings Plc	6,311,616	3,366,908

	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	15.78	8.42
Diluted earnings per share	15.78	8.42

Company Statement of Financial Position
As at 31 March 2022
Company no. 08777765

	Note	2022 £	2021 £
Assets			
Non-current assets			
Investments	5	**200**	488,796
		200	488,796
Current assets			
Trade and other receivables	6	**759,359**	524,835
Cash and cash equivalents	7	**99,722**	250,115
		859,081	774,950
Total assets		**859,281**	1,263,746
Equity and liabilities			
Issued share capital	8	**400,000**	400,000
Capital redemption reserve		**40**	40
Share option reserve		**–**	488,596
Retained earnings		**121,318**	106,436
Total equity		**521,358**	995,072
Current liabilities			
Trade and other payables	9	**333,409**	252,694
Current tax payable		**4,514**	15,980
		337,923	268,674
Total equity and liabilities		**859,281**	1,263,746

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of Cake Box Holdings Plc. Its profit after tax and total comprehensive income for the year ended 31 March 2022 was £2,494,882 (2021 – £2,090,457).

The financial statements were approved by the Board on 26 June 2022 and signed on its behalf by:

S R CHAMDAL
Director

Company Cash flow Statement
As at 31 March 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit before income tax	**2,498,538**	2,106,437
Adjusted for:		
Increase in trade and other receivables	**(21,502)**	(8,014)
(Increase)/decrease in amounts owed by Group entities	**(213,022)**	83,822
Increase in trade and other payables	**80,715**	11,793
Cash generated in operations	**2,344,729**	2,194,038
Taxation paid	**(15,122)**	(6,094)
Net cash inflow from operating activities	**2,329,607**	2,187,944
Cash flows from financing activities		
Dividends paid	**(2,480,000)**	(2,020,000)
Net cash outflow from financing activities	**(2,480,000)**	(2,020,000)
Net increase in cash and cash equivalents	**(150,393)**	167,944
Cash and cash equivalents brought forward	**250,115**	82,171
Cash and cash equivalents carried forward	**99,722**	250,115

The notes on pages 89 to 92 form part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 March 2022

	Share capital £	Capital redemption reserve £	Share option reserve £	Retained earnings £	Total £
At 31 March 2020	400,000	40	198,368	35,979	634,387
Total comprehensive income for the year					
Transactions with owners in their capacity as owners	–	–	–	2,090,457	2,090,457
Share-based payments	–	–	290,228	–	290,228
Dividends paid	–	–	–	(2,020,000)	(2,020,000)
At 31 March 2021	**400,000**	**40**	**488,596**	**106,436**	**995,072**
Total comprehensive income for the year					
Transactions with owners in their capacity as owners	–	–	–	2,494,882	2,494,882
Share-based payments	–	–	(488,596)	–	(488,596)
Dividends paid	–	–	–	(2,480,000)	(2,480,000)
At 31 March 2022	**400,000**	**40**	**–**	**121,318**	**521,358**

Notes to the Company Financial Statements
For the year ended 31 March 2022

1. Accounting policies

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 63 to 85. The following are additional policies applicable to the Company:

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

2. Staff costs

The average number of employees, including Directors, during the year was 7 (FY21 – 6). The Directors received remuneration during the year as detailed in note 4.

3. Dividends

	2022 £	2021 £
Dividends paid	2,480,000	2,020,000
	2,480,000	2,020,000

During the end-of-year audit process, the Board became aware of an issue concerning technical compliance with the Companies Act 2006 in relation to past dividend payments. Although there were sufficient distributable reserves and cash held in the Group which could have been distributed, dividends were declared at a time when the Company did not hold adequate distributable reserves by reference to its last set of annual accounts. The Group and Company's historic reported trading results and financial condition are entirely unaffected.

The Board proposes to put resolutions to shareholders at the time of the 2022 Annual General Meeting to address this past issue.

Please see note 8 in the consolidated notes for further details.

4. Directors' remuneration

The Directors' remuneration is disclosed within the Directors' Remuneration Report on page 49. The Executive Directors are considered key management personnel. Employer's NIC paid on Directors' remuneration in the year was £114,388 (FY21 – £62,287).

Notes to the Company Financial Statements continued
For the year ended 31 March 2022

5. Investments in subsidiary undertakings

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

Net book value	
At 31 March 2022	**200**
At 31 March 2021	488,796

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

The following companies are the principal subsidiary undertakings at 31 March 2022 and are all consolidated:

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

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

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

6. Trade and other receivables

	2022 £	2021 £
Amounts receivable from subsidiaries	727,510	514,488
Accrued income	20,000	–
Prepayments	11,849	10,347
	759,359	524,835

7. Cash and cash equivalents

	2022 £	2021 £
Cash at bank	**99,722**	250,115

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 March 2022:

	2022 £	2021 £
Cash at bank	**99,722**	250,115

8. Issued share capital

	2022 £	2021 £
40,000,000 Ordinary shares of £0.01 each	**400,000**	400,000

All shares rank equally in all respects.

9. Trade and other payables

	2022 £	2021 £
Trade payables	**51,599**	9,625
Other taxation and social security	**235,318**	174,725
Other payables	**1,096**	875
Accruals	**45,396**	67,469
	333,409	252,694

10. Capital commitments

There were no capital commitments at the end of 2022 and 2021.

11. Key management personnel compensation

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

12. Related party disclosures

The following transactions and balances occurred with related parties:

	2022 £	2021 £
Amounts due from own subsidiaries	**727,510**	514,488
Management charges to own subsidiaries	**1,473,333**	1,000,000
Dividends received from own subsidiaries	**2,480,000**	2,020,000

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

Notes to the Company Financial Statements continued
For the year ended 31 March 2022

13. Financial instruments

Details of key risks are included in note 28 to the Consolidated Financial Statements.

Accessing significant increases in credit risk

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

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

The Company determines that credit risk has increased significantly when:

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

No impairment has been recognised in respect of this (FY21 – £Nil).

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

In accordance with IFRS 9, the Company performed a year-end impairment exercise to determine whether any write down in amounts receivable was required, using an expected credit loss (ECL) model. The expected loss rate for receivables including other financial assets is 0% on the basis of the Company's history of bad debt write offs. Amounts owed by Group entities can be settled via property. Where the value of the property exceeds the amounts due on the loan the ECL is deemed to be £nil.

As at 31 March 2022, the total loss allowances against the Group's financial assets were immaterial and no charge to the income statement was recognised.

Categories of financial instruments

Financial assets at amortised cost

	Held at amortised cost	
	2022 £	2021 £
Cash and cash equivalents	**99,722**	250,115
Trade and other receivables	**747,510**	514,488
	847,232	764,603

Financial liabilities

	Held at amortised cost	
	2022 £	2021 £
Trade and other payables	**98,091**	77,969
	98,091	77,969

It is considered that the fair value is equal to the carrying value due to the short-term duration.

14. Ultimate controlling party

There is no ultimate controlling party.

Company Information

Directors

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

Company secretary

L Park

Company number

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Investor website

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Legal Advisor

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Registrars

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