Signature Flatbreads (UK) Ltd

Strategic Report for the Year Ended 31 July 2021

The directors present their strategic report on the group for the year ended 31 July 2021.

Business review
The business is a leading manufacturer of speciality breads. The group offers products in the category of naans, tortillas, crumpets, pancakes and flatbreads. The business serves customers primarily in the retail, quick service restaurant, food service and export sectors.

Export sales have continued to increase over the last 12 months, and the group has established customers in over 30 separate countries.

The major financial key performance indicators focused on by management are revenue and net profit, these are monitored by management against budget. In 12 months of trading the group achieved £177.5m of turnover versus £136.3m in the prior year. As expected, revenues have grown on prior year and the group posts a net profit of £11.4m versus £11.22m in the prior year. The directors are satisfied with the performance of the group and the financial position.

The group also uses a number of non-financial performance indicators, including measures to monitor quality and wastage.

The global coronavirus pandemic created challenges for many companies. However, as a key business and food manufacturer the group was able to maintain operations throughout the pandemic. We have therefore not suffered material losses due to the pandemic.

The pandemic had an impact on the foodservice channel when lockdown restrictions were imposed but underlying demand improved through Q4 with the re-opening of economies. The retail channel showed robust performance throughout the period. The group invested to upgrade products, technology and plant which is consuming free cash flow that is being generated. The company has sufficient liquidity and cash flow to support future investment in capital expenditure projects.

Future developments
The group will focus capital expenditure on the core business to meet future demand. This will include continuing to innovate the product range to excite and delight consumers.

Principal risks and uncertainties
The directors consider the principal risks and uncertainties the group faces to be:

Covid-19
The Government announced strict lockdowns with the closure of non-essential shops which had an impact on our business with large fluctuations in the demand for our products. Our key priority was keeping all our colleagues safe in their workplace and all necessary actions were taken to deliver this including major adaptations to the working environment. We continued to maintain excellent service levels and high quality standards for our customers and end consumers through the commitment and dedication of our colleagues.

Raw material cost inflation/margin pressure
As the group is vulnerable to raw material inflation, we have invested in a procurement team to coordinate purchasing activities. In addition, we purchase some raw materials at agreed fixed future prices to mitigate the risks of inflation.

Data Security
The Company is reliant on integrated IT systems to support the business. We are susceptible to potential cyber risks and date security breaches. To mitigate this risk, we have a robust IT infrastructure with appropriate security-based restrictions. We have also invested in GDPR and cyber training for staff to help limit our exposure.

Disruption to Operations
There is a risk of disruption to operations should the Group suffer a manufacturing failure through key plant and equipment breakdown. The Group employs strong, capable management teams who are responsible for site risk management and mitigation. Where appropriate, contingency spares are held on site. Each facility maintains an operational disaster recovery plan.

Signature Flatbreads (UK) Ltd

Strategic Report for the Year Ended 31 July 2021

Directors' Duties
The Directors of the Group, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and in doing so have regard (amongst other matters) to:

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

The directors have been briefed on their duties and they can access professional advice on these, if they judge it necessary, from an independent adviser. It is important to recognise that in an organisation such as ours, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Group and details of this can be found below.

Risk Management
As we grow, our business and our risk environment become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management. Details of principal risks and uncertainties are detailed elsewhere in this report.

During the year, the group refinanced its debt in order to continue investing in capacity and to ensure the group is in a position to realise its goals. Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. Our intention is to behave responsibly toward all our stakeholders and treat them fairly and equally so they too may benefit from the expansion of the group.

Our People
The group is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. People are at the heart of our business. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way.

We pursue comprehensive safety management procedures, including policy manuals, verification of regulatory compliance, risk assessments, individual site action plans, safety audits, training programmes and formal accident investigations. The recent COVID-19 pandemic has provided an opportunity for us to live our values, going to great lengths to protect our employees and maintain supply to our customers.

Business Relationships
Our strategy prioritises growth to existing clients and bringing in new clients. To achieve this we need to develop and maintain strong client relationships. We value all of our suppliers and have long term contracts with our key suppliers.

Signature Flatbreads (UK) Ltd

Strategic Report for the Year Ended 31 July 2021

Community and Environment
The group's approach is to use our position of strength to create positive change for the people and communities with which we interact. We want to leverage our expertise and enable colleagues to support the communities around us. We are constantly striving to improve our practices to ensure our production is as environmentally friendly as possible.

During the year, the group established a venture, trading as Earth & Wheat, to 'rescue' and bring to market otherwise usable products which fell outside of our clients' strict specifications. Through this undertaking we have saved over 100 tonnes of bread products, which would equate to approximately 94 tonnes of carbon emissions throughout the supply chain of these products, up to time of production.

Under Earth & Wheat, the group has additionally donated 70,300 meals of 'rescued' bread products to UK food banks.

On behalf of the board

William Samir Eid
Director

Date: 22/10/21