

BUTE ISLAND FOODS LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022**

Company Registration No. SC237960 (Scotland)

BUTE ISLAND FOODS LTD

COMPANY INFORMATION

Directors	Mr T Atherton Mr A Braithwaite Mr M Therrien	(Appointed 25 May 2021) (Appointed 25 May 2021) (Appointed 25 May 2021)
Secretary	Mrs I Hinton	
Company number	SC237960	
Registered office	The Creamery Townhead Rothesay Isle of Bute PA20 9JH	
Auditor	William Duncan + Co (Audit) Ltd Ellersley House 30 Miller Road Ayr Ayrshire KA7 2AY	
Bankers	National Westminster Bank plc 250 Bishopsgate London EC2M 4AA	
Solicitors	Lockharts Law LLP 12 Beresford Terrace Ayr Ayrshire KA7 2EG	

BUTE ISLAND FOODS LTD

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BUTE ISLAND FOODS LTD

STRATEGIC REPORT

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

The directors present the strategic report for the 15 month period ended 31 March 2022.

Fair review of the business

The company saw sales growth, with contributions from both new and existing customers. The company's drive for new & existing product development and consistently operating the highest food safety and quality standards continues to be well received by the customers we serve. Margins decreased due to changes in raw material and packaging costs. However, working closely with suppliers and as well as good stock control and forward purchasing of key materials, we were successful in maintaining a stable price for customers. EBITDA for the 15 months period ended 31 March 2022 was £4,844,640 compared to £5,318,221 for the year ended 31 December 2020.

Acquisition by Saputo Dairy UK Ltd

On 25 May 2021, 100% of the issued share capital of Bute Island Foods Limited was purchased by Saputo Dairy UK Ltd.

The Directors do not expect the activity of the company to change in the foreseeable future and the company continues to invest in strategic growth through increasing production capacity and is in the process of developing a new bulk work in progress production facility. The strategy of the company is to continue to pursue further growth in key markets.

Principal risks and uncertainties

The performance of the business and the execution of the company strategy is subject to a number of risks and uncertainties including the economic climate in United Kingdom and Worldwide and the availability of raw materials and packaging from our major suppliers. The risk to availability of product is managed by dedicated supply chain buyers and is supported by strong working relationships with key suppliers. To the date of this report, Brexit and the COVID-19 pandemic have had little effect on product availability. The company's resilience to COVID-19 is backed by the company's trade within the essential food marketplace, direct trading relationship with major retailers, and an unleveraged asset balance sheet and necessary cash reserves, provide the ability to rapidly flex inventory levels to address fluctuations in demand or predicted availability.

Economic conditions and uncertainties

The company continues to monitor and assess the impact of the COVID-19 pandemic on the significant estimates and judgements used in the preparation of the financial statements.

The company is also continuously monitoring the geopolitical risk related to the evolving military conflict in Ukraine. The crisis did not have a significant impact on the company's financial statements.

BUTE ISLAND FOODS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

Key performance indicators

Financial risk management

The company's operations expose them to a variety of financial risks that include currency risk, credit risk, liquidity risk, interest risk and market price risk. The company has in place a risk management program that seeks to limit the adverse effects on the financial performance of the company as a result of these aforementioned risks.

Credit risk

The company offers credit terms to most customers which allow payment of the debt after delivery of the goods. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by a detailed and conscientious credit approval process, credit limits, and a dedicated and well-established team that focuses on credit management.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aim to mitigate liquidity risk by managing cash generation by its operations.

Interest rate risk

The company has no external debt and has interest bearing assets which principally comprise cash earning interest at variable rates.

Foreign currency risk

The movement on the Sterling Euro exchange rate continues to exhibit volatility. The company attempts to create natural currency hedges by purchasing and selling in the same currency.

On behalf of the Board

Mr A Braithwaite
Director

16 November 2022

BUTE ISLAND FOODS LTD

DIRECTORS' REPORT

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the 15 month period ended 31 March 2022.

Principal activities

The principal activity of the company during the year, was the manufacture and distribution of vegan, plant-based food alternatives to cheese and ice cream.

Results and dividends

The results for the 15 month period are set out on page 8.

Directors

The directors who held office during the 15 month period and up to the date of signature of the financial statements were as follows:

Mr Francois Lintermans	(Resigned 25 May 2021)
Ms Deborah Dawson	(Resigned 25 May 2021)
Mr Guy Crichton	(Resigned 25 May 2021)
Mr Mark Crichton	(Resigned 25 May 2021)
Mr T Atherton	(Appointed 25 May 2021)
Mr A Braithwaite	(Appointed 25 May 2021)
Mr M Therrien	(Appointed 25 May 2021)

Auditor

In accordance with the company's articles, a resolution proposing that William Duncan + Co (Audit) Ltd be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board

Mr A Braithwaite

Director

16 November 2022

BUTE ISLAND FOODS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

BUTE ISLAND FOODS LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BUTE ISLAND FOODS LTD

Opinion

We have audited the financial statements of Bute Island Foods Ltd (the 'company') for the 15 month period ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the 15 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 company 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, 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.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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 our audit:

- the information given in the strategic report and the directors' report for the financial 15 month period 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.

BUTE ISLAND FOODS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF BUTE ISLAND FOODS LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 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.

- Enquiry of management, those charged with governance and the company's solicitors around actual and potential litigation and claims.
- Enquiry of company staff in compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

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.

BUTE ISLAND FOODS LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF BUTE ISLAND FOODS LTD

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 member 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 member those matters we are required to state to the member 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 member for our audit work, for this report, or for the opinions we have formed.

Stephen Bargh CA MAAT (Senior Statutory Auditor)
For and on behalf of William Duncan + Co (Audit) Ltd
Chartered Accountants
Statutory Auditor
Ellersley House
30 Miller Road
Ayr
Ayrshire
KA7 2AY

22 November 2022

BUTE ISLAND FOODS LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

		Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
	Notes		
Turnover	3	21,559	16,675
Cost of sales		(11,312)	(8,060)
Gross profit		10,247	8,615
Administrative expenses		(6,141)	(3,554)
Other operating income		41	6
Operating profit	4	4,147	5,067
Interest receivable and similar income	7	33	32
Interest payable and similar expenses	8	(9)	-
Profit before taxation		4,171	5,099
Tax on profit	9	(572)	(670)
Profit for the period		3,599	4,429

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BUTE ISLAND FOODS LTD

BALANCE SHEET

AS AT 31 MARCH 2022

		2022		2020	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		6,980		3,184
Investment properties	11		-		239
			<u>6,980</u>		<u>3,423</u>
Current assets					
Stocks	12	2,723		1,901	
Debtors	13	3,078		3,122	
Cash at bank and in hand		2,779		4,534	
		<u>8,580</u>		<u>9,557</u>	
Creditors: amounts falling due within one year	14	<u>(2,793)</u>		<u>(1,281)</u>	
Net current assets			<u>5,787</u>		<u>8,276</u>
Total assets less current liabilities			<u>12,767</u>		<u>11,699</u>
Creditors: amounts falling due after more than one year	15		(394)		(50)
Provisions for liabilities					
Deferred tax liability	16		<u>(389)</u>		<u>(67)</u>
Net assets			<u>11,984</u>		<u>11,582</u>
Capital and reserves					
Profit and loss reserves			<u>11,984</u>		<u>11,582</u>

The financial statements were approved by the board of directors and authorised for issue on 16 November 2022 and are signed on its behalf by:

Mr A Braithwaite
Director

Company Registration No. SC237960

BUTE ISLAND FOODS LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

	Profit and loss reserves
Notes	£'000
Balance at 1 January 2020	7,553
Year ended 31 December 2020:	
Profit and total comprehensive income for the year	4,429
Dividends	(400)
	<hr/>
Balance at 31 December 2020	11,582
Period ended 31 March 2022:	
Profit and total comprehensive income for the period	3,599
Dividends	(3,197)
	<hr/>
Balance at 31 March 2022	<u>11,984</u>

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

1 Accounting policies

Company information

Bute Island Foods Ltd is a private company limited by shares incorporated in Scotland. The registered office is The Creamery, Townhead, Rothesay, Isle of Bute, PA20 9JH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Saputo Inc. These consolidated financial statements are available from its registered office, 6869, Metropolitan Est, Montreal, Quebec, Canada, H1P 1X8.

1.2 Going concern

The Directors have prepared cash flow forecasts for Bute Island Foods Limited, for a period of 12 months from the date of approval of these financial statements, which indicate that, the company will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Reporting period

The company's year end has been extended from 31 December 2021 to 31 March 2022 to be in line with the parent company's year end. These accounts represent a 15 month period where as the comparison represents only 12 months.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

1 Accounting policies (Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Property improvements	5% reducing balance
Plant and machinery	20% reducing balance
Equipment	33% straight line
Motor vehicles	20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

1 Accounting policies (Continued)

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

1 Accounting policies (Continued)

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2022	2020
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	17,599	13,426
Rest of world	3,960	3,249
	<u>21,559</u>	<u>16,675</u>

4 Operating profit

	2022	2020
	£'000	£'000
Operating profit for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	4	1
Government grants	(35)	-
Fees payable to the company's auditor for the audit of the company's financial statements	13	8
Depreciation of owned tangible fixed assets	725	244
Profit on disposal of tangible fixed assets	(12)	-
Operating lease charges	60	34
	<u>60</u>	<u>34</u>

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

5 Employees

The average monthly number of persons (including directors) employed by the company during the 15 month period was:

	2022 Number	2020 Number
Production staff	117	108
Administrative staff	58	53
Total	<u>175</u>	<u>161</u>

Their aggregate remuneration comprised:

	2022 £'000	2020 £'000
Wages and salaries	4,656	3,134
Social security costs	364	234
Pension costs	138	660
	<u>5,158</u>	<u>4,028</u>

6 Directors' remuneration

	2022 £'000	2020 £'000
Remuneration for qualifying services	71	147
Company pension contributions to defined contribution schemes	3	581
	<u>74</u>	<u>728</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020 - 4).

7 Interest receivable and similar income

	2022 £'000	2020 £'000
Interest income		
Interest on bank deposits	33	32
	<u>33</u>	<u>32</u>

8 Interest payable and similar expenses

	2022 £'000	2020 £'000
Other interest on financial liabilities	9	-
	<u>9</u>	<u>-</u>

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

9 Taxation	2022	2020
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	250	742
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	163	(72)
Changes in tax rates	81	-
Adjustment in respect of prior periods	78	-
	<u> </u>	<u> </u>
Total deferred tax	322	(72)
	<u> </u>	<u> </u>
Total tax charge	572	670
	<u> </u>	<u> </u>

The standard rate of corporation tax applied to reported profit, including deferred tax balances, for the 15 month period ended 31 March 2022 is 19% (2020: 19%). The rate of corporation tax will increase to 25% with effect from 1 April 2023, as announced by the UK Government on 3 March 2021, and substantively enacted on 24 May 2021. The effect of the increase in corporation tax rate for the 15 month period ended 31 March 2022 is a charge to the profit and loss account of £81k in relation to the required re-valuation of deferred tax assets at 31 March 2022.

The actual charge for the 15 month period can be reconciled to the expected charge for the 15 month period based on the profit or loss and the standard rate of tax as follows:

	2022	2020
	£'000	£'000
Profit before taxation	4,171	5,099
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2020: 19%)	792	969
Tax effect of expenses that are not deductible in determining taxable profit	(16)	1
Effect of change in corporation tax rate	81	-
Group relief not paid for	(382)	-
Depreciation on assets not qualifying for tax allowances	-	4
Research and development tax credit	19	(153)
Deferred tax adjustments in respect of prior years	78	(151)
	<u> </u>	<u> </u>
Taxation charge for the period	572	670
	<u> </u>	<u> </u>

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

10 Tangible fixed assets	Freehold land and buildings	Property improvements	Deposits and assets under construction	Plant and machinery	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2021	790	506	953	2,863	61	84	5,257
Additions	2,104	647	1,618	1,922	43	32	6,366
Disposals	(51)	-	(1,796)	(32)	(3)	(7)	(1,889)
At 31 March 2022	2,843	1,153	775	4,753	101	109	9,734
Depreciation and impairment							
At 1 January 2021	85	97	-	1,810	29	52	2,073
Depreciation charged in the 15 month period	50	56	-	582	29	8	725
Eliminated in respect of disposals	(13)	-	-	(24)	(1)	(6)	(44)
At 31 March 2022	122	153	-	2,368	57	54	2,754
Carrying amount							
At 31 March 2022	2,721	1,000	775	2,385	44	55	6,980
At 31 December 2020	705	409	953	1,053	32	32	3,184

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

11 Investment property		2022
		£'000
Fair value		
At 1 January 2021		239
Additions through external acquisition		3
Disposals		(242)
		<u> </u>
At 31 March 2022		<u> </u>

The fair value of the investment property at 31 December 2020 was arrived at on an open market value basis by reference to market evidence of transaction prices for similar properties.

12 Stocks		2022	2020
		£'000	£'000
Raw materials and consumables	1,615		1,146
Finished goods and goods for resale	1,108		755
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>

13 Debtors		2022	2020
		£'000	£'000
Amounts falling due within one year:			
Trade debtors	2,195		1,895
Corporation tax recoverable	530		-
Other debtors	353		411
Prepayments and accrued income	-		816
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>

Included within prepayments and accrued income for the year ended 31 December 2020 is deposits on fixed assets. This year deposits on fixed assets have been disclosed within fixed assets at note 10 in line with the parent company's reporting requirements.

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

14 Creditors: amounts falling due within one year

	Notes	2022 £'000	2020 £'000
Trade creditors		1,429	652
Amounts owed to group undertakings		856	-
Corporation tax		-	342
Other taxation and social security		77	74
Government grants	17	16	-
Other creditors		16	24
Accruals and deferred income		399	189
		<u>2,793</u>	<u>1,281</u>

15 Creditors: amounts falling due after more than one year

	Notes	2022 £'000	2020 £'000
Government grants	17	394	50
		<u>394</u>	<u>50</u>

16 Deferred taxation

The following are the deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022 £'000	Liabilities 2020 £'000	Assets 2022 £'000	Assets 2020 £'000
Balances:				
Accelerated capital allowances	495	67	-	-
Pensions	-	-	4	-
Grants	-	-	102	-
	<u>495</u>	<u>67</u>	<u>106</u>	<u>-</u>

	2022 £'000
Movements in the 15 month period:	
Liability at 1 January 2021	67
Charge to profit or loss	322
	<u>389</u>

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

17	Government grants	2022 £'000	2020 £'000
	Arising from government grants	410	50
	Deferred income is included in the financial statements as follows:		
	Current liabilities	16	-
	Non-current liabilities	394	50
		410	50

18	Retirement benefit schemes	2022 £'000	2020 £'000
	Defined contribution schemes		
	Charge to profit or loss in respect of defined contribution schemes	138	660

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19	Share capital	2022 Number	2020 Number	2022 £	2020 £
	Ordinary share capital Issued and fully paid				
	Ordinary A shares of £1 each	2	2	2	2
	Ordinary B shares of £1 each	2	2	2	2
	Ordinary C shares of £1 each	1	1	1	1
	Ordinary D shares of £1 each	1	1	1	1
		6	6	6	6

20	Operating lease commitments	2022 £'000	2020 £'000
	Lessee		
	At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
	Within one year	21	20
	Between two and five years	16	23
		37	43

BUTE ISLAND FOODS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 15 MONTH PERIOD ENDED 31 MARCH 2022

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2020
	£'000	£'000
Acquisition of tangible fixed assets	1,007	2,814
	<u> </u>	<u> </u>

22 Ultimate controlling party

The Company's immediate parent undertaking is Saputo Dairy UK Limited. The Company's ultimate parent undertaking is Saputo Inc., a company incorporated in Canada whose financial statements are available from its registered office, 6869, Métropolitain Est, Montréal, Québec H1P 1X8, Canada.

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