KINNERTON (CONFECTIONERY) CO. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Company Registration No. 1401107 (England and Wales)

KINNERTON (CONFECTIONERY) CO. LIMITED

COMPANY INFORMATION

Directors	J L Catton L Collier - appointed 2 December 2019 A J Francey - appointed 2 December 2019 N P Hebron P R Tripp - appointed 30 September 2019 A C Kieran - resigned 2 December 2019 D S Lowe - resigned 30 September 2019
Company number	1401107
Registered office	Unit 1000 Highgate Studios 53-79 Highgate Road London NW5 1TL
Business address	Unit 1000 Highgate Studios 53-79 Highgate Road London NW5 1TL
Auditor	Emst & Young LLP 1 More London Place London SE1 2AF
Banker	HSBC Bank 69 Pall Mall London SW1Y 5EZ

KINNERTON (CONFECTIONERY) CO. LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activity
The principal activity of the Company continues to be that of the manufacture and wholesale of chocolate and confectionery.

Review of the development, performance and position of the business
Despite a backdrop of economic and political uncertainty throughout 2019 surrounding a continuing challenging and competitive UK food industry, the Company had a successful year delivering year on year financial performance improvement. During Q4 the Group made a strategic decision to form a UK and Ireland 'Snacking & Chocolate Market Unit', consisting of Kinnerton, Humdinger Foods and Lir Chocolates in order to provide customers with a market leading set of operational capabilities and service. As a result, a number of senior Group roles were created including the appointment of Paul Tripp as CEO of the newly formed Market Unit.

Key financial metrics of Operating profit of £2,881k (+25%) and Profit before Tax of £1,485k (+23%) were both significantly better than prior year as the Company benefited from improvements in operational efficiency and cost control.

The Directors have taken appropriate actions to ensure that the ongoing strategy of the business remains focused on operating profit and margin growth. Measures such as reducing complexity, strengthening and investing in processes and equipment have been undertaken to improve financial performance in 2019.

The Company continues to monitor trends and developments within the confectionery sector to ensure that the Company is well placed to deliver and meet consumer expectations. The Company continues to invest in new product development, to ensure that product ranges offered are profitable in order to maintain and grow market share. These include the development and investment in own brand products to ensure a diversified product range across multiple sectors in the confectionery market.

For 2020 Kinnerton will further strengthen its capabilities and build its reputation for dependability, service and innovative solutions. Focus remains on strengthening and building enduring customer relationships and developing new sales channels.

Key performance indicators
The Company uses a range of key performance indicators ("KPIs") to monitor the performance of the business on an ongoing basis. Financial measures include Revenue, Gross Profit, Operating profit and Profit before tax, which are all line items disclosed on the face of the Statement of Comprehensive Income on page 5.

£'000	2019	2018
Revenue	80,447	80,968
Gross profit	17,875	17,918
Operating profit	2,881	2,303
Profit/(loss) before tax	1,485	1,207

Principal risks and uncertainties
The Company is exposed to various risks that are inherent within the confectionery manufacturing industry. The Directors consider that the principal risks the Company faces relate to being competitive within a continuing challenging trading environment.

A significant proportion of the Company's revenue is generated from a small number of customers and hence there is a risk from loss of a key customer. Significant resources are devoted to forging strong relationships with customers. The business prides itself on working closely with customers to provide a broad portfolio of products which are enjoyed by consumers. The Company recognises the potential risk from changing trends in consumer preferences and an increasingly health conscious public.

A major incident resulting from a food quality or health and safety failure, including for example in one of our nut-controlled facilities, could pose a risk to consumers and therefore have reputational and financial implications for the Company. The Company's stringent approach to food quality and safety is controlled via the quality assurance procedures operated at each site. Internal systems are reviewed continuously and the potential for improvement monitored. The Company's factories are subject to regular internal and independent food safety and quality control audits, including those carried out by or for major customers. The Company maintains product recall insurance cover to mitigate the potential impact of such an event.

The Company deploys an internal risk control framework to ensure focus is given throughout the business to review risks and agree mitigation plans. The Company utilises a set of well-established operational procedures and protocols to deliver effective risk management. During the year the Company has strengthened further risk management procedures by undertaking detailed business risk assessments and making improvements in business continuity planning through consultation with an industry and insurance specialist.

With regard to the current situation with the COVID-19 pandemic or public health crisis in general, we refer to the going concern information.

In summary, the Company focuses on customer retention and growth through seeking an optimal approach to improvements and investments in innovation, product development, operational efficiency, quality, safety, marketing and relationship management. The Company is confident its approach to risk management ensures that risks are mitigated to controllable limits, and opportunities to improve both operational efficiency and financial results are maximised.

Financial risk management policies and objectives
The Company uses financial instruments, with the principal aims of the Company's financial risk management policy being to monitor and address the risks arising from the Company's external and internal funding requirements, minimise net interest costs and manage financial risk arising from the international business of the Company, principally interest rate and currency risk.

The Directors of the Company, together with the Directors of the parent Company, Zetar Limited, seek to achieve a balance between certainty of funding with committed facilities and a flexible cost-effective structure. The Company's facilities are included within the overall facility, negotiated by Zetar Limited.

The Company operates internationally, giving rise to exposure from changes in foreign exchange rates, particularly the US Dollar, Euro and Australian Dollar. As at 31 December 2019 there were forward exchange contracts in place which seek to mitigate, as far as considered reasonable by the Directors, the exposure of the Company to foreign exchange risk. Please see note 23 for more information. No financial instruments have been designated as hedges.

Where possible the Company minimises its exposure to credit losses, in the event of non-performance by counterparties, via credit insurance coverage with established providers. The Company has implemented policies that require appropriate credit checks on potential customers before sales commence and continuously monitor payment terms and payment performance of customers.

P Tripp
Director
23 April 2020

The Directors present their Annual Report and Financial Statements for the year ended 31 December 2019.

Information included in the Strategic Report
The following information is included in the Strategic Report:

- Details of the principal activity of the Company;
- A review of the business including developments in the year, its performance and current position;
- Information relating to the KPIs monitored by the Company;
- A summary of the principal risks and uncertainty affecting the position;
- Financial risk management objectives and policies.

Directors
The Directors at the date of this report and who served the Company during the year were as follows:
J L Catton
L Collier - appointed 2 December 2019
A J Francey - appointed 2 December 2019
N P Hebron
P R Tripp - appointed 30 September 2019
A C Kieran - resigned 2 December 2019
D S Lowe - resigned 30 September 2019

The Company maintains liability insurance for its Directors, with a cover limit for each claim or series of claims against them in that capacity.
The Directors have also been granted a qualifying third party indemnity provision under section 234 of the Companies Act 2006.

Dividends
No dividends were paid during the year ended 31 December 2019 (year ended 31 December 2018: £nil) and the Directors do not recommend the payment of a final dividend (year ended 31 December 2018: £nil).

Research and Development
The Company is involved in Research and Development (R&D) to enhance its position in the market and to remain at the forefront of innovative chocolate production. All costs are treated as expenditure in the income statement. The Company claims R&D expenditure credit (RDEC) to get Corporation Tax relief on R&D costs.

Disabled employees
The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and the provide appropriate training to achieve this aim.

Going concern
The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. As of 31 December 2019, the Company had net assets of £14.1m (2018: £12.5m) and net current liabilities of £21.6m (2018: £19.4m). The net current liabilities position is driven by the expiry date of the financing agreements with the Company's immediate parent, Zetar Limited, which have been extended to May 2021 since the balance sheet date. This extension returns the Company to a net current asset position at the date of approval of these financial statements, as they are not due within 12 months of the date of approval of these financial statements. In addition, the Company continues to have access to vendor finance schemes with its major customers and an invoice financing facility, which enables the Company to further optimise working capital at competitive costs. Neither of these facilities are currently fully drawn.

With regard to the current COVID-19 pandemic, there remains uncertainty on its impact on the Company and on the wider Zuckerraffinerie Tangermunde Fr. Meyers Sohn Holding GmbH ('ZRT') group. The Directors have considered the impact of the pandemic on the Company's business operations and future prospects. The manufacturing facilities do not feature on the UK government's list of business premises which need to close, and specific measures have been implemented to increase the workforce resilience, and to ensure adequate protection for our people. The Company's financial forecasts, taking into consideration the current environment, show that the Company is expected to remain profitable and generate positive cash flows giving the Company the ability to continue to operate for the foreseeable future. The ZRT group has considerable financial resources and continues to trade profitably. The Directors assume that the demand for impulse consumer goods supplied by the Company, and by the wider ZRT group, will most likely increase in the short term by shoppers stocking up articles with a longer shelf life and then will return to normal levels. Observing lockdown measures taken by governments across Europe, supermarkets have remained and are expected to continue to remain accessible for consumers during the crisis. The ZRT group's and Company's production facilities as well as supply chains have adapted with several countermeasures in order to uphold production and supply, benefiting also from high hygiene standards throughout the food industry. The Company is well placed as it has access to the significant financial resources of the ZRT group through the long term finance arrangements described previously.

In view of the circumstances referred to above, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Company's financial statements.

Section 172 (1) Companies Act 2006

Section 1 – Stakeholder Engagement

The following stakeholder groups according to Section 172(1) Companies Act 2006 are identified as relevant for the Company. Below is a summary of how the Company aims to effectively manage key stakeholder relationships.

Workforce
The Company ensure employees are aligned to the objectives and value of the business, as well as sharing and embedding group-wide food safety, quality and integrity expectations. The Company's workforce is engaged via site forums, surveys, and briefings and employee awards are given as incentives and rewards for behaviour aligned to the Company's values.

Suppliers
Suppliers are a critical link in the Company's overall supply chain, providing a source of value, consistency of quality and service and opportunity for innovation to meet the Company's business needs. The Company is using regular reviews and scorecards for two-way engagement for performance improvement or development of products.

Customers
Engagement with customers drives alignment with their values, strategies and priorities and strategic partnerships help to ensure business sustainability and growth. There are regular communication and review meetings to agree short, medium and long-term goals to develop relationships and ensure continuous improvement.

Regulators/Government
To focus on ensuring the Company's voice is heard within the Government and Regulatory bodies and seeking advice and guidance on existing and new legislation (e.g Brexit or Sugar Reduction Plan) to enhance business knowledge and ensure compliance.

Pension schemes/Pensioners
To provide effective savings and retirement planning for employees through engagement with third party advisor by mitigating impacts of rising pension costs and providing cover for employees' families.

Community
To be engaged in the community is recognised as important to employees and the communities in which the divisions operate. Employees nominate local charities for fundraising events or request sponsorship / donations to local causes, which have positive impact on employees and the communities with which the Company are involved.

Other Stakeholders
To engage with the key licensees to ensure the Company can acquire and retain relevant licenses that are applicable to the Company's products. Regular meetings are held with major licensors to get an overview of what is growing, declining or on trend to protect position and create new business opportunities.

Section 2 – Principal Decisions
The restructuring of the Group started in 2019 is considered to be both material to the Company and significant to any of the Company's stakeholders which are listed above under Section 1

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards) and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

This report was approved by the Board of Directors on 23 April 2020 and signed on behalf of the Board by;

P Tripp
Director
23 April 2020

Opinion

We have audited the financial statements of Kinnerton (Confectionery) Co. Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting Framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year 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 below. 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.

Emphasis of matter – effects of COVID-19

We draw attention to notes 1.3 and 25 of the financial statements, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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 directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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.

A further description of our responsibilities for the audit of the financial statements is located 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 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.

Ernst + Young LLP

Jon Killingley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 April 2020

KINNERTON (CONFECTIONERY) CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		£	£
Revenue	2	80,447,210	80,968,428
Cost of sales		(62,571,780)	(63,050,076)
Gross profit		17,875,430	17,918,352
Distribution costs		(837,046)	(867,384)
Administrative expenses		(14,157,671)	(14,748,333)
Operating profit	3	2,880,713	2,302,635
Finance income	6	116,960	177,423
Finance costs	7	(1,512,319)	(1,273,470)
Profit before taxation		1,485,354	1,206,588
Tax credit/(charge) on profit	8	114,665	(556,357)
Profit for the year and other comprehensive profit		1,600,019	650,232

All amounts relate to continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019	2018
		£	£
Non-current assets			
Investments	12	8,812,084	8,812,084
Property, plant & equipment	10	26,410,571	23,732,335
Right of use assets	11	5,140,943	-
		40,363,598	32,544,419
Current assets			
Inventory	13	17,380,375	16,629,098
Trade and other receivables	14	13,093,665	13,493,700
Cash and cash equivalents		470,581	959,828
Derivative financial instruments		-	11,676
		30,944,621	31,094,302
Total assets		71,308,219	63,638,721
Current liabilities			
Trade and other payables	15	(48,727,757)	(49,377,599)
Borrowings and overdrafts	16	(3,027,844)	(1,121,859)
Lease liabilities	11	(760,449)	-
Derivative financial instruments		(26,202)	-
Total current liabilities		(52,542,252)	(50,499,458)
Net current liabilities		(21,597,631)	(19,405,157)
Total assets less current liabilities		18,765,967	13,139,263
Non-current liabilities			
Deferred tax liabilities	17	(410,122)	(675,807)
Lease liabilities	11	(4,292,369)	-
Total non-current liabilities		(4,702,491)	(675,807)
Total liabilities		(57,244,744)	(51,175,265)
Net assets		14,063,476	12,463,456
Equity			
Share capital	19	10,000	10,000
Retained earnings		14,053,476	12,453,456
Total equity attributable to equity holders of the parent		14,063,476	12,463,456

These accounts were approved by the Directors, signed and authorised for issue on 23 April 2020.

P Tripp
Director
23 April 2020

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2019

	Note (i) Share capital	Note (ii) Retained earnings	Total
	£	£	£
Balance at 1 January 2018	**10,000**	**11,803,224**	**11,813,224**
Comprehensive income :			
Profit for the year	-	650,232	650,232
Total comprehensive income	-	650,232	650,232
Balance at 31 December 2018	10,000	12,453,456	12,463,456
Comprehensive income :			
Profit for the year	-	1,600,019	1,600,019
Total comprehensive income	-	1,600,019	1,600,019
Balance at 31 December 2019	10,000	14,053,476	14,063,476

Notes
i - Share capital contains amounts subscribed for share capital at nominal value.
ii - Retained earnings contains all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The accompanying accounting policies and notes on pages 8 to 17 form these financial statements.

1 Accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The Company has taken advantage of the Companies Act 2006 exemption from the preparation of consolidated accounts, as the results are included within the consolidated financial statements of its immediate parent Company, Zetar Limited, a UK incorporated Company, which will be filed at Companies House. These financial statements present information about the Company as an individual undertaking and not about its group. Details of the subsidiary undertakings can be found in note 12.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information as required by:
  - Paragraph 79 (a) (iv) of IAS 1
  - Paragraph 73 (e) of IAS 16 Property, Plant and Equipment
  - Paragraph 118 (e) of IAS 38 Intangible Assets
- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10 (d), (statement of cash flows)
  - 10 (f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B-D (additional comparative information)
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

The Company is a wholly owned subsidiary of Zetar Limited. The information relating to these exempted disclosures can be found in the Zetar Limited's consolidated financial statements.
The Company is a private company limited by shares incorporated in England and Wales.

1.2 New accounting standards, amendments and interpretations to existing standards

The financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.
New standards and interpretations applied
In the following pages, the effects of the first-time application of IFRS 16 on the financial statements of the Company is explained, including the new accounting and valuation principles applied as of 1 January 2019.

1.2.1 IFRS 16 - Leases

The standard is applicable to virtually all leases and provides for the lessee to account for a right of use asset and a corresponding lease liability, as well as to include comprehensive disclosures. The first-time application of IFRS 16 led to an increase in non-current assets and financial liabilities, as well as a change in the key performance indicator, Profit before tax. IFRS 16 was applied for the first time as of 1 January 2019 using the modified retrospective method, under which the 2018 comparatives are not restated. The Company made make use of the option not to recognise low-value and short-term leases in the balance sheet but to continue to recognise them under operating expenses.

Payment obligations from previous operating leases are discounted at the time of first-time application of IFRS 16 using the respective marginal borrowing rate and recognised as a lease liability. The average interest rate used by the Company as of 1 January 2019 was approximately 3.0%. The rights of use are recognised as of 1 January 2019 at the carrying amount remaining at the date of first-time application.

Significant rights and relief opportunities are exercised as follows:

•Rights of use and leasing liabilities are shown separately in the balance sheet.
•For portfolios of similar leasing and rental obligations, the Company uses a uniform interest rate adjusted to the respective term.
•Short-term leases with a term of less than 12 months (and no purchase option) as well as leases where the asset underlying the lease is of minor value are not recognised in the balance sheet in accordance with the option provided for in IFRS 16.5.
•Contracts that contain both leasing and non-leasing components are separated. Each leasing component is shown separately from the corresponding other service components.
•IFRS 16 is not applied to intangible assets.
In addition, at the time of first-time application of IFRS 16, significant options and simplification options were used as follows:
•On first-time application, no reassessment of contracts with regard to leases contained therein is made.
•Initial direct costs are not included in the measurement of the right to use the leased asset at the time of first-time application.
•Discretionary decisions are made on the basis of current knowledge at the time of initial application. In this context, better knowledge gained retrospectively in some cases is taken into account in determining the term of leasing agreements if this leads to a better estimate for the exercise of extension and termination options.
•Individual leases that end in the 2019 financial year are treated in accordance with the exemption regulations for short-term leases.

As a result of the first-time adoption, rights of use assets of £2,815,036 and non-current and current lease liabilities totalling £2,651,685 were recognised in the consolidated balance sheet as of 1 January 2019. The reconciliation of off-balance sheet rental and other operating leases as at 31 December 2018 in the amount of £3,138,892 to the lease liabilities to be recognised in the balance sheet as at 1 January 2019 in the amount of £2,651,685 is as follows:

	2019 £'000
Operating lease obligations at 31 December 2018	**3,139**
Relief option for short-term leases	(282)
Relief option for leases of low-value assets	(67)
Lease-type obligations (service components)	(185)
Prepayments	(163)
Other	560
Gross lease liabilities at 1 January 2019	**3,002**
Discounting	(350)
Lease liabilities at 1 January 2019	**2,652**

1.2.2 **Future standards**

The IASB issued standards as well as interpretations and amendments to existing standards that were either not yet mandatory for this period or had not yet been adopted by the EU as part of the IFRS adoption process:

* IFRS 3 Business Combinations[1]
* IAS 1 and IAS 8 Definition of Material[1]
* IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform[1]
* IFRS 17 Insurance contracts[2]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021

If the amendments or innovations have already been adopted by the EU, the stated date of the first-time adoption refers to their first mandatory application in the EU. Otherwise, it refers to the date of first mandatory application determined by the IASB. Implementation will take place at the latest in the year in which application becomes mandatory for EU companies for the first time.

1.3 **Going concern**

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. As of 31 December 2019, the Company had net assets of £14.1m (2018: £12.5m) and net current liabilities of £21.6m (2018: £19.4m). The net current liabilities position is driven by the expiry date of the financing agreements with the Company's immediate parent, Zetar Limited, which have been extended to May 2021 since the balance sheet date. This extension returns the Company to a net current asset position at the date of approval of these financial statements, as they are not due within 12 months of the date of approval of these financial statements. In addition, the Company continues to have access to vendor finance schemes with its major customers and an invoice financing facility, which enables the Company to further optimise working capital at competitive costs. Neither of these facilities are currently fully drawn.

With regard to the current COVID-19 pandemic, there remains uncertainty on its impact on the Company and on the wider Zuckerraffinerie Tangermunde Fr. Meyers Sohn Holding GmbH ('ZRT') group. The Directors have considered the impact of the pandemic on the Company's business operations and future prospects. The manufacturing facilities do not feature on the UK government's list of business premises which need to close, and specific measures have been implemented to increase the workforce resilience, and to ensure adequate protection for our people. The Company's financial forecasts, taking into consideration the current environment, show that the Company is expected to remain profitable and generate positive cash flows giving the Company the ability to continue to operate for the foreseeable future. The ZRT group has considerable financial resources and continues to trade profitably. The Directors assume that the demand for impulse consumer goods supplied by the Company, and by the wider ZRT group, will most likely increase in the short term by shoppers stocking up articles with a longer shelf life and then will return to normal levels. Observing lockdown measures taken by governments across Europe, supermarkets have remained and are expected to continue to remain accessible for consumers during the crisis. The ZRT group's and Company's production facilities as well as supply chains have adapted with several countermeasures in order to uphold production and supply, benefiting also from high hygiene standards throughout the food industry. The Company is well placed as it has access to the significant financial resources of the ZRT group through the long term finance arrangements described previously.

In view of the circumstances referred to above, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Company's financial statements.

1.4 **Revenue**

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied net of sales rebates and excluding VAT and trade discounts.

Revenue from the sale of goods is recognised when the Company has transferred control of goods to the buyer. In practice the satisfaction of these conditions, and therefore revenue recognition, generally coincides with when the goods are delivered to customers and title passes.
Sales rebates and discount reserves are established based on management's best estimate of the amounts necessary to meet claims by the Company's customers in respect of these rebates and discounts. The provision is made at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made has become remote.

1.5 **Royalties**

Royalties in respect of the licensing of third-party intellectual property rights to the group are recognised on an accruals basis in accordance with the substance of the relevant agreement.

1.6 **Cash and cash equivalents**

Cash and cash equivalents comprise cash-on-hand and on-demand deposits.

1.7 **Property, Plant & Equipment**

All fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land is not depreciated

Freehold buildings	2-10% straight line
Leasehold property	Over the term of the lease / 10% straight line
Plant and machinery	6.67% straight line
Fixtures, fittings and equipment	10-33% straight line
Software	20% straight line

Assets in the course of construction are depreciated once they are fully available for use.
Finance leases are depreciated over the shorter of the lease term and the economic life of an asset.

1.8 **Commitments under operating leases**

The Company has applied IFRS 16 for the accounting of lease committments (per Note 1.2.1). IFRS 16 accounting is not applied for short-term leases with a term of less than 12 months (and no purchase option) as well as leases where the asset underlying the lease is of minor value. Such leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

1.9 **Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition and includes an appropriate share of production overheads.
Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.10 **Invoice financing**

Where debts are invoice financed, the gross amount of the debts is included within trade receivables with the advances received from invoice financing being shown as a liability included within borrowings and overdrafts.

1.11 **Employee benefits**

The Company operates a defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme.

1.12 **Taxation**

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying values of assets and liabilities and their tax bases. However, deferred tax assets or liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither tax profit nor accounting profit. Temporary differences, including those associated with shares in subsidiaries, are not recognised if reversal of these differences can be controlled by the group and it is not probable that reversal will occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided in full with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are disclosed as net to the extent that they are in the same jurisdiction.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are charged or credited direct to other comprehensive income in which case the deferred tax effect is also charged or credited direct to other comprehensive income.

1.13 **Foreign currency translation**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the Statement of Comprehensive Income.

1.14 **Accounting for financial assets**

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised costs, Fair Value reported in Other Comprehensive Income (FVOCI) and Fair Value Reported Through Profit or Loss (FVTPL). The standard replaces the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Financial assets of the Company can be divided into the categories of "loans and receivables" and "financial assets at fair value through profit or loss". Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are reported in profit or loss or charged directly against other comprehensive income. An assessment of whether a financial asset is impaired is made at each reporting date. For Trade receivables, this is based on the latest credit information available, e.g. recent counterparty defaults and external credit ratings. Financial assets that are substantially past due and/or for which receipts from customers have been significantly delayed are also considered for impairment. All income and expense relating to financial assets at fair value through profit and loss are recognised in the statement of comprehensive income line item "finance costs" or "finance income" respectively.

Amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. The Company's trade and other receivables fall into this category of financial instruments. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Derivative financial assets

Financial assets at fair value through profit or loss include financial assets that are designated by the Company to be carried at fair value through profit or loss on initial recognition. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by reference to unobservable market data provided by third parties.

1.15 **Accounting for financial liabilities**

The Company's financial liabilities include borrowings, trade and other payables and derivative financial liabilities, all of which are categorised as financial liabilities measured at amortised cost, except derivative financial liabilities. Financial liabilities are recognised when the Company becomes party to the contractual agreements of the instrument. All interest related charges and, if applicable, changes in the instrument's fair value that are reported in profit or loss are included in the statement of comprehensive income line items "finance costs" and "finance income".

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings, including asset-based facilities such as invoice financing, are initially recognised at fair value plus any transaction costs associated with the issue of the relevant financial liability. Subsequent to initial measurement, borrowings are measured at amortised cost with the borrowing costs being accounted for on an accruals basis in the statement of comprehensive income using the effective interest rate method. At the reporting date accrued interest is recorded separately from the associated borrowings within current liabilities.

1.16 **Financial instruments - hedging instruments**

Derivative financial instruments are used by the Company mainly for the management of its foreign currency and interest rate exposures. The Company does not hold derivative financial instruments for trading purposes. The existing financial derivatives used by the Company do not meet the criteria for hedge accounting set out by IFRS 9 and have thus been classified as financial assets or liabilities at fair value through profit or loss.

1.17 **Equity instruments**

An equity instrument is any contract which evidences a residual interest in the net assets of the Company after deducting all liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

1.18 Investments

Investments held by the Company represent investments in subsidiary undertakings and are recorded at cost, less any provision for impairment.

1.19 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.

1.20 Finance costs

Finance costs are charged to profit or loss over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument. Finance costs include fair value movements of financial instruments.

1.21 Finance Income

Finance income is charged to profit or loss over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance income also includes issue proceeds, which are initially recognised as an increase in the fair value of the associated capital instrument. Finance income includes fair value movements of financial instruments.

2 Revenue

All revenues and profits before tax are attributable to one operating segment.

Analysis of customer by Geographical market

	2019	2018
	£	£
United Kingdom	74,947,362	73,114,011
Europe	3,274,515	5,807,882
Rest of the World	2,225,333	2,046,535
	80,447,210	80,968,428

3 Operating profit

	2019	2018
Operating profit is stated after charging/ (crediting):	£	£
Impact of foreign exchange loss/(profit)	179,332	(5,866)
Depreciation of property, plant & equipment (note 10)	1,999,415	1,697,162
Depreciation expense of right-of-use assets (note 11)	696,547	-
Loss on disposal of property, plant and equipment	53,131	103,602
Auditor's remuneration - audit of the financial statements	55,346	61,600
Tax services remuneration	6,117	5,000

4 Directors' emoluments

	2019	2018
	£	£
Aggregate emoluments	1,061,880	707,201
Company contributions to a defined contribution pension scheme	50,012	51,043
	1,111,892	758,244

Retirement benefits are accruing to 2 directors under a defined contribution scheme (year ended 31 December 2018: 5).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Aggregate emoluments	233,513	215,000
Company contributions to a defined contribution pension scheme	15,385	20,000
	248,898	235,000

5 Employees

Number of employees
The average monthly number of employees during the year was:

	2019	2018
Administration	148	140
Sales and Marketing	38	40
Production	759	815
	945	995

Employment costs

	2019 £	2018 £
Wages and salaries (including directors' remuneration)	25,593,904	24,785,083
Social security costs	2,169,954	2,251,606
Other pension costs (note 18)	731,088	717,794
	28,494,946	27,754,483

6 Finance Income

	2019 £	2018 £
Interest receivable from group undertakings	99,655	95,554
Interest receivable from other third parties	17,305	567
Change in fair value of financial instruments designated at fair value through profit or loss	-	81,302
	116,960	177,423

7 Finance costs

	2019 £	2018 £
Invoice financing facilities	109,167	76,945
Vendor financing costs	92,835	69,567
Interest payable to other third parties	10,720	5,833
Interest payable to group undertakings	1,090,692	1,121,125
Lease interest costs	171,027	-
Change in fair value of financial instruments designated at fair value through profit or loss	37,878	-
	1,512,319	1,273,470

8 Tax on profit

	2019		2018	
	£	£	£	£
Current tax				
Current tax on (profit)/loss for the year	-		(102,162)	
Adjustments in respect of prior periods	(151,019)		(307,380)	
		(151,019)		(409,543)
Deferred tax				
Origination and reversal of temporary differences (note 17)	265,684		(146,814)	
		265,684		(146,814)
Tax credit/(charge) for the year		114,665		(556,357)

Reconciliation of tax charge

	2019	2018
Profit before taxation	1,485,354	1,206,588
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (year ended 31 December 2018: 19%).	(282,217)	(229,252)
Effects of:		
Expenses not deductible for tax purposes	(51,113)	7,436
Differences between depreciation and capital allowances	231,254	112,440
Other tax adjustments	102,077	7,213
Adjustments to tax in respect of previous periods	(151,019)	(307,380)
Origination and reversal of temporary differences (Deferred tax movement. Note 17)	265,684	(146,814)
Total tax credit/(charge) for the year	114,665	(556,357)

9 **Dividends**

No dividends were paid in the year ended 31 December 2019 (year ended 31 December 2018: nil).

The Directors have not recommended a dividend between the year end date and the date of signing the financial statements (31 December 2018: £nil).

10 **Property, plant & equipment**

	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Software £	Assets under construction £	Total £
Cost						
At 1 January 2019	12,087,294	28,848,567	347,045	651,809	2,450,280	44,384,995
Additions	-	181,717	-	-	4,549,064	4,730,781
Re-classification	560,818	2,373,823	20,800	666,361	(3,621,802)	-
Disposals	-	(343,501)	-		(34,543)	(378,044)
At 31 December 2019	**12,648,112**	**31,060,606**	**367,845**	**1,318,170**	**3,342,999**	**48,737,732**
Depreciation						
At 1 January 2019	3,021,684	17,122,387	244,408	264,181	-	20,652,660
On disposals	-	(324,914)	-		-	(324,914)
Charge for the year	385,676	1,323,307	36,885	253,547	-	1,999,415
At 31 December 2019	**3,407,360**	**18,120,780**	**281,293**	**517,728**	**-**	**22,327,161**
Carrying amount:						
At 31 December 2019	**9,240,751**	**12,939,826**	**86,552**	**800,443**	**3,342,999**	**26,410,571**
At 31 December 2018	9,065,610	11,726,181	102,636	387,628	2,450,280	23,732,335

The net book value of land and buildings comprises:

	31 Dec 2019 £	31 Dec 2018 £
Freeholds	**7,634,273**	7,487,853
Short leaseholds (under 50 years)	**1,606,478**	1,577,756
	9,240,751	9,065,610

The cost of land and buildings included £422,655 (31 December 2018: £422,655) in respect of non-depreciable land.

At 31 December 2019 the Company had capital commitments of £526,815 (31 December 2018: £849,066).

11 Rental and lease agreements

The Company maintains a portfolio of owned and leased properties. Lease payments represent rentals payable by the Company for some of its property, plant and equipment. Leases are negotiated for an average term of 5 years (31 December 2018: 5 years).

Interest of £171,027 from leases was recognised in the Statement of Comprehensive Income and the total expenditure for leases and rentals amounted to £1,043,292. This includes expenses of £70,918 for short-term rental and lease agreements with terms of less than one year which are reported within the operating result in accordance with the optional right provided for in IFRS 16.5.

As laid out below and in accordance with IFRS 16 the Company recognises a right of use lease asset of £5,140,943 and current and non-current lease liabilities totalling £5,052,819 within the balance sheet as of 31 December 2019.

Right of use assets

	Land and Buildings £	Plant and Machinery £	Total £
Cost			
At 31 December 2018	-	-	-
First time adoption	2,586,758	228,277	2,815,036
Additions	3,022,454	-	3,022,454
At 31 December 2019	**5,609,212**	**228,277**	**5,837,490**
Depreciation			
At 31 December 2018	-	-	-
Charge for the year	620,256	76,291	696,547
At 31 December 2019	**620,256**	**76,291**	**696,547**
Carrying amount:			
At 31 December 2019	**4,988,957**	**151,986**	**5,140,943**
At 31 December 2018	-	-	-

Lease liabilities

	31 Dec 2019 £	31 Dec 2018 £
Current (Within one year)	**(760,449)**	(37,972)
Non-current (In the second to fifth years inclusive)	**(2,723,823)**	(153,041)
Non-current (After five years)	**(1,568,546)**	(2,624,023)
	(5,052,819)	(2,815,036)

12 Investments

Shares in subsidiary undertakings	**31 Dec 2019** £	31 Dec 2018 £
Cost and Net Book Value		
At 1 January 2019	8,812,084	8,812,084
At 31 December 2019	8,812,084	8,812,084

In the opinion of the Directors, the aggregate recoverable value of the Company's investment in subsidiary undertakings is not less than the amount included in the Statement of Financial Position.

Subsidiaries
The Company has interests in the share capital of the following Companies:

Company Subsidiary undertakings		**Country of registration or incorporation**	**Class**	**Shares held %**
Chesterfields Fine Foods Limited	*	England	Ordinary	100
Registered office Unit 1000 Highgate Studios, 53-79 Highgate Road, London NW5 1TL				
Horsley Hick & Flower Limited	*	England	Ordinary	100
Registered office c/o Kinnerton Confectionery, 1000 Highgate Studios, 53-79 Highgate Road, London NW5 1TL				
Lir Chocolates Limited	**	Ireland	Ordinary	100
Registered office Ida Business Park Johnstown, Navan, Co Meath 498404				
Derwent Lynton Co. Limited	*	England	Ordinary	100
Registered office Unit 1000 Highgate Studios, 53-79 Highgate Road, London NW5 1TL				

* - Dormant companies
** - Principal activity is the manufacture and wholesale of confectionery.

13 Inventory

	31 Dec 2019	31 Dec 2018
	£	£
Raw material and consumables	3,349,824	3,392,972
Work in progress	2,820,073	2,936,548
Packaging	4,805,771	4,542,869
Finished goods and goods for resale	6,404,707	5,756,709
	17,380,375	16,629,098

Inventories included in the cost of sales for the year are £46,754,549 (year ended 31 December 2018: £46,945,889).

14 Trade and other receivables

	31 Dec 2019	31 Dec 2018
	£	£
Trade receivables - net of provisions	7,357,314	8,825,156
Amounts owed by group undertakings	3,050,953	2,441,826
Other receivables	66,352	322,540
Prepayments and accrued income	1,458,708	1,480,268
Corporation tax receivable	1,160,338	423,910
	13,093,665	13,493,700

Trade receivables represent debts due for the sale of goods to customers. The provision for impairment of receivables is based on the expected loss model of IFRS 9.

All receivables balances are due to be settled within one year of the year end. Receivables are denominated predominantly in Sterling. The Directors consider that the carrying amount of receivables approximates to their fair value. Receivables are categorised as *Amortised cost* under IFRS 9. Of the total net trade receivables balances, £411,573 (31 December 2018: £1,219,527) is outside the credit terms given by the Company and past due. This includes an amount of £40,419 which is over 90 days past due (31 December 2018: £8,807). Management considers that this balance is recoverable.

Amounts owed by group undertakings includes a trading balance with Kinnerton Australia at 31 December 2019 of £3,003,381 (31 December 2018 £2,235,260). This is repayable on demand and includes interest at a rate of 5.0% per annum. The remaining amount relates to other Group inter-company balances.

15 Trade and other payables

	31 Dec 2019	31 Dec 2018
	£	£
Trade payables	5,983,912	8,365,975
Amounts owed to group undertakings	38,110,757	36,247,420
Other taxes and social security costs	2,410,692	2,586,834
Other payables	407,215	327,985
Accruals and deferred income	1,815,181	1,849,385
	48,727,757	49,377,599

Amounts owed to group undertakings includes a loan from Zetar Limited of £37,400,000 at 31 December 2019 (£35,500,000 at 31 December 2018). This is a revolving facility loan, expiring on 31 May 2021 (31 May 2020 at the balance sheet date and subsequently extended) and attracts interest at a fixed rate of 3.0% per annum. The remaining amount relates to other Group inter-company balances.

16 Borrowings and overdrafts

	31 Dec 2019	31 Dec 2018
	£	£
Borrowings and overdrafts	3,027,844	1,121,859

The above amounts represent invoice financing facilities with Close Brothers Invoice Finance Limited secured against the trade receivables of the Company.

17 Deferred Taxation

	31 Dec 2019	31 Dec 2018
Deferred Taxation	£	£
Balance at 1 January 2019	(675,807)	(528,993)
Deferred tax movement in the year (note 8)	265,684	(146,814)
Balance at 31 December 2019	(410,122)	(675,807)

Deferred tax is provided at 17.00% (year ended 31 December 2018: 17.00%). This can be analysed between the temporary differences below.

	31 Dec 2019	31 Dec 2018
	£	£
Accelerated capital allowances	(667,027)	(667,470)
Deferred tax asset on losses carried forward	228,789	(27,158)
Other timing differences	28,116	18,821
Deferred tax liabilities	(410,122)	(675,807)

The corporation tax main rate remains at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19%, rather than reducing it to 17% from 1 April 2020. This change has not been substantively enacted as at the date of approval of these financial statements.

18 **Employee benefits**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension charge represents contributions payable by the Company to the funds and amounted to £731,088 (year ended 31 December 2018: £717,794).

Contributions totalling £134,966 (year ended 31 December 2018: £104,974) were payable to the funds at the year end and are included in other payables.

19 **Share capital**

	31 Dec 2019	31 Dec 2018
	£	£
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000

20 **Contingent liabilities**

The Company is party to a group banking cross guarantee. At 31 December 2019 the Company has no (£0) exposure under this arrangement (31 December 2018: £2,975,239).

21 **Capital commitments**

	31 Dec 2019	31 Dec 2018
	£	£
At 31 December 2019 the Company had capital commitments as follows:		
Expenditure contracted for but not provided in the accounts	526,815	849,066

22 **Related party transactions**

The Company has taken advantage of the exemption conferred by IAS 24 "Related Party Transactions" whereby wholly owned group undertakings do not have to disclose intra-group transactions with other wholly owned members of the same group.

Amounts were advanced to Directors C L Dennis (resigned as director 9th May 2017), and J M Whiteside (resigned as director 9th May 2017) in the form of Directors loans issued in the year ended 27 April 2013. The maximum amount outstanding during the year was £17,813 (year ended 31 December 2018: £18,002). The balance at the year end was £17,623 (31 December 2018: £17,813).

23 **Financial risk management**

The principal aims of the Company's financial risk management policies are to monitor and address the risks arising from the Company's external and internal funding requirements, optimise net interest cost after tax and manage financial risk arising from the international business of the Company, principally interest rate and currency risk. As permitted by IFRS 13 "Fair Value Measurement", short term debtors and creditors have been excluded from the disclosures, other than currency disclosures.

Given the size of the Company, the Directors have not delegated the responsibility for monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's senior managers.

Liquidity risk
The Board, together with the Directors of the parent Company, Zetar Limited, seeks to achieve a balance between certainty of funding with committed facilities and a flexible cost-effective structure. The Company's facilities are included within the overall facility of the Zetar Group and details of these facilities are disclosed in the accounts of Zetar Limited.

Interest rate risk
The Company has both interest bearing assets and interest bearing liabilities, with the main interest rate risk arising on rates charged in relation to internal (inter-company) and external (Invoice and vendor financing) financing. The Company manages this by arranging fixed rates where possible.

Currency risk
The Company operates internationally giving rise to exposure from changes in foreign exchange rates, notably the US Dollar. The Company uses forward currency contracts for future purchase requirements. To this end the Company has exchange contracts, seen in the Fair values section later in this note.

No financial instruments have been designated as hedges.

Credit risk
Where possible the Company minimises its exposure to credit related losses on financial instruments, in the event of non-performance by counterparties, via credit insurance coverage with established providers.

The Company has implemented policies that require appropriate credit checks on potential customers before sales commence.

Price risk
The Company minimises its exposure to adverse raw material price changes by entering into forward purchases to cover known customer requirements for between six and nine months.

23 (continued) Capital management policies and procedures

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.
The capital structure of the Company consists of debt, which includes the borrowings and amounts owed to group undertakings disclosed in notes 15 and 16, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.
The Company's Board of Directors is responsible for the review of the capital structure. As part of the review the Board considers the cost of capital and the risks associated with the class of capital. The Company balances its overall capital structure through new shares issues and/or negotiation of additional bank and related party borrowings, as appropriate.

Fair values

Set out below are fair values of the Company's derivative financial assets and liabilities at 31 December 2019.

	31 Dec 2019	31 Dec 2018
	£	£
Commitment under forward foreign exchange contracts at the reporting date:		
Purchase Contracts US Dollar ($)	**675,000**	1,585,000
Derivative financial instruments held to manage:		
Forward commodity price exposure (in favour of the suppliers)	**(46,332)**	(23,628)
Forward foreign currency exposure (in favour of the bank)/in favour of the Company	**(26,202)**	11,676
	(72,534)	(11,952)

The fair values have been determined by reference to prices prevailing at the reporting date obtained from the providers of such instruments. The forward chocolate purchase contracts (commodity) are not carried on the balance sheet.

24 Ultimate parent company & controlling parties

The immediate ultimate controlling entity is Zetar Limited and consolidated financial statements for this group are available from Companies House. The Company's ultimate parent company and ultimate controlling party is Zuckerraffinerie Tangermünde Fr. Meyers Sohn Holding GmbH ("ZRT"), a Company incorporated in Germany. The largest group of undertakings for which group accounts are drawn up which include the results of Kinnerton (Confectionery) Co. Limited is the ZRT group.

25 Events after the reporting period

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. The Company operates in the UK, which is affected by the pandemic. The business is currently being impacted both through government restrictions on its own working practices and the operations of its customers and end customers. Whilst current performance does not indicate a significant adverse effect, this could have a detrimental impact on the business's revenues, profits and cash flows. Any impact on future cash flows or the carrying value of assets will be reflected in the 2020 financial statements.