

Kolak Snack Foods Limited

Annual Report

for the year ended 30 September 2016



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Corporate information

Directors

Christophe Andre Robert Fenart (Appointed on 6 October 2016)

A M Lakhani (resigned on 6 October 2016)

B M Lakhani (resigned on 6 October 2016)

R Lakhani (resigned on 6 October 2016)

Secretary

B M Lakhani (resigned on 6 October 2016)

Company number

1800911

Registered office

308-310 Elveden Road
London NW10 7ST

Solicitor

Bermans
Exchange Station
Tithebarns Street
Liverpool L2 2QP

Banker

HSBC Bank Plc
69 Park Royal Road
Park Royal
London NW10 7JR

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Strategic report

The Directors present their strategic report for the year ended 30 September 2016.

Review of the business

The principal activities of the Company comprise the manufacture and distribution of potato crisps, extruded snacks and popcorn. The company manufactures and supplies private label products to most of the major retailers in the UK, and independent retailers along with supply of its own brand products.

Turnover and, importantly volumes have increased again both nationally and internationally and while continued growth can bring its own challenges, the scale of the business within an increasingly consolidated market means the company has the ability to meet customer requirements

The Directors are delighted to report that it has been another successful year, achieving a sales increase of 9.7% to £120 million (2015: £109.5 million) and operating profit of £19.6 million (2015: £9.7 million). The improved trading performance in 2016 over that of 2015 was enhanced by continued investment in people, processes and technology.

The Directors continue to strive to provide exemplary customer service to a growing number of customers globally and remain the supplier of choice for the customer; a key focus of the business strategy.

The key financial and other performance indicators during the year were as follows:

	2016	2015	Change
	£	£	%
Turnover	120,165,104	109,534,784	9.7
Operating profit	19,550,931	9,654,949	102
Profit for the year	15,019,403	7,433,193	102
Shareholders' funds	36,939,512	22,370,109	65.1
Average number of employees	907	870	4.3

The key financial indicators for the performance of the Company are sales, profitability and a strong balance sheet.

Growth in key financial indicators was achieved principally due to strong incremental sales. Profitability grew following favourable reductions in raw material pricing, marginally offset by increases in directors emoluments and staffing costs.

We have successfully continued to achieve organic growth from our existing customers as well as acquiring new business and increasing product lines.

The detailed financial results for the year are set out on pages 10 - 29.

Principal risks and uncertainties

Legislative risks

In the UK, fire safety equipment must be manufactured to EU standards. These standards are subject to continuous revision and any new Directive may have a material impact on the ability of the Company to manufacture and supply products at a profit. In addition compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate.

Strategic report

Principal risks and uncertainties (continued)

Financial instrument risks

In conducting its operative activities the group engages in various types of basic financial instruments. In mitigating exposure arising from its use of financial instruments, the management team conducts an annual risk assessment of the business and manages the risks identified to proactively prevent any material and adverse risk to the company's future operating profits or financial position. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of liquidity risk.

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, the Company manages its exposure to commodity price risk by entering into fixed price contracts for certain key raw materials purchased. Energy costs are managed by entering into fixed price contracts.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Regular credit reviews are undertaken to manage exposure to credit risk.

Liquidity Risk

The Company actively maintains a mixture of long-term and short-term debt finance which is designed to ensure the Company has sufficient available funds for operations and planned expansions. The management team reviews cash flow projections on a weekly basis. All external loans were repaid during the year.

One of The Company's biggest risks comes from the potential failure of suppliers. The Company therefore obtains credit scores on key suppliers and also seeks to spread supplier risk where possible.

Subsequent events

At 30 September 2016, the company's immediate and ultimate parent undertaking was Mosaic (IOM) Limited, a company incorporated in Isle of Man. The directors considered Mosaic (IOM) to be its controlling party. The results and financial position of the Company as at, and for the year ending 30 September 2016 are not consolidated into the financial statements of any other company.

Subsequent to the year-end, on 5 October 2016, the share capital of the company was acquired by Snacks Development SAS and as a result, a new holding company, Snacks International Development UK Ltd was introduced to hold the share capital of the Company. At the date of approving these financial statements, the directors consider Snacks Development SAS to be the ultimate parent and controlling party.

Transition to FRS 102

In previous years, the Company prepared its results in accordance with UK Generally Accepted Accounting Practice. During the current year, the Company changed its financial reporting framework to FRS 102 and has restated its results and financial position reported in FY 15. Details of the impact to previously reported results are set-out in note 21. The most material resultant adjustment arose from applying a deemed cost to tangible fixed assets, and created an additional non-distributable reserve of £3,349,391.

On behalf of the Board

Christophe Andre Robert Fenart

Date: 28.06.2017



Directors' report

Registered No. 01800911

The Directors present their report and financial statements for the year ended 30 September 2016.

Directors of the company

The Directors who served during the year and a Director who was appointed subsequent to year-end are set out on page 2.

Dividends

Dividends of £450,000 (45p per £1 share) for the year ended 30 September 2016 (2015: £540,000 (54p per £1 share)) were declared.

Research and development

The Company continues to perform research and development in the manufacture and distribution of potato crisps, extruded snacks and popcorn with a view to improve its manufacturing and distribution processes.

Future developments

The external commercial environment is expected to remain competitive in 2017. The Company is confident that it will continue to see strong overall business performance by focusing on growth in its market share and its margins. Customer service performance will be enhanced through continued investment in operations. The company has acquired a new site in Stevenage to further enhance its manufacturing capabilities which includes new product lines; which are scheduled to commence production in May 2017. This site will form an integral role in the future development of the group going forwards.

Going concern

After making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial Instruments

Details of financial instruments are provided in the strategic report on page 4.

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 to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Company has been continued through the newsletter 'Good Practice Company News' in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' report

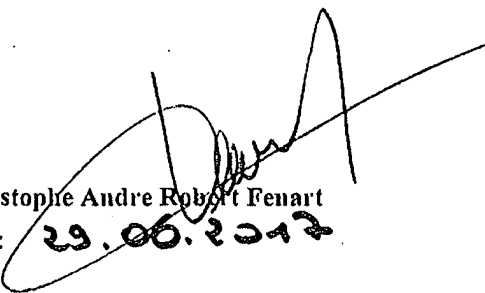
Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP was appointed as auditor in the year in accordance with section 485 of the Companies Act 2006. Ernst & Young LLP will be proposed for re-appointment and have expressed their willingness to continue in office.

On behalf of the Board



Christophe Andre Robert Fenart

Date:

29.06.2012

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 (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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

Independent auditors' report

to the members of Kolak Snack Foods Limited

We have audited the financial statements of Kolak Snack Foods Limited for the year ended 30 September 2016, which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

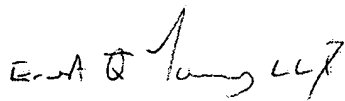
Independent auditors' report

to the members of Kolak Snack Foods Limited (Continued)

Matters on which we are required to report by exception

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Zishan Nurmohamed (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 30.06.2017

Statement of comprehensive income

for the year ended 30 September 2016

	Notes	2016 £	2015 £
Turnover	2	120,165,104	109,534,784
Cost of sales		(96,988,131)	(96,297,827)
Gross profit		23,176,973	13,236,957
Administrative expenses		(3,626,042)	(3,582,008)
Operating profit	3	19,550,931	9,654,949
Interest payable and similar charges	5	(203,484)	(155,954)
Profit on ordinary activities before taxation		19,347,447	9,498,995
Tax on profit on ordinary activities	7	(4,328,044)	(2,065,802)
Profit for the year		15,019,403	7,433,193
Other comprehensive income		-	-
Total comprehensive income		<u>15,019,403</u>	<u>7,433,193</u>

The results of the current and prior years arise solely from continuing operations.

The notes on pages 14 to 29 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 30 September 2016

	<i>Called up share capital (note 15)</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Other reserves</i>	<i>Total shareholders' funds</i>
	£	£	£	£	£
At 1 October 2014	1,000,000	12,000	11,115,525	3,349,391	15,476,916
Profit for the year	-	-	7,433,193	-	7,433,193
Dividends paid (note 16)	-	-	(540,000)	-	(540,000)
At 30 September 2015	1,000,000	12,000	18,008,718	3,349,391	22,370,109
Profit for the year	-	-	15,019,403	-	15,019,403
Dividends paid (note 16)	-	-	(450,000)	-	(450,000)
At 30 September 2016	1,000,000	12,000	32,578,121	3,349,391	36,939,512

The notes on pages 14 to 29 are an integral part of these financial statements.

Other reserves

Other reserves arose on transition to FRS 102, as tangible fixed assets were incorporated at deemed cost in accordance with FRS 102. The directors consider amounts in other reserves to be non-distributable.

Statement of financial position

at 30 September 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible fixed assets	8	<u>23,482,371</u>	<u>17,789,431</u>
Current assets			
Stocks	9	6,212,982	6,326,754
Debtors	10	27,423,664	24,808,459
Cash at bank and in hand		<u>3,965,667</u>	<u>1,173,550</u>
		37,602,313	32,308,763
Creditors: amounts falling due within one year	11	<u>(22,387,761)</u>	<u>(23,292,424)</u>
Net current assets		<u>15,214,552</u>	<u>9,016,339</u>
Total assets less current liabilities		38,696,923	26,805,770
Creditors: amounts falling due after more than one year	12	-	(3,306,773)
Provision for liabilities	14	<u>(1,757,411)</u>	<u>(1,128,888)</u>
Net assets		<u>36,939,512</u>	<u>22,370,109</u>
Capital and reserves			
Called up share capital	15	1,000,000	1,000,000
Share premium account		12,000	12,000
Profit and loss account		32,578,121	18,008,718
Other reserves		<u>3,349,391</u>	<u>3,349,391</u>
Total shareholders' funds		<u>36,939,512</u>	<u>22,370,109</u>

The notes on pages 14 to 29 form part of these financial statements.

The financial statements were approved by the Board on 29.06.2017 and signed on its behalf by


Christophe Andre Robert Fenart

Date: 29.06.2017

Registered number: 01800911

Statement of cash flows

for the year ended 30 September 2016

	Notes	2016 £	2015 £
Operating activities			
Profit for the year		15,019,403	7,433,193
Tax on profit on ordinary activities	7	4,328,044	2,065,802
Adjustments to profit for the year			
Interest payable and similar charges	5	203,484	155,954
Loss on disposal of tangible assets		43,400	-
Depreciation of tangible fixed assets	8	2,925,618	2,537,805
Amortisation of intangible fixed assets		-	543,753
Working capital movements			
Decrease in stocks		113,772	102,902
Increase in debtors		(2,615,205)	(7,160,216)
(Increase)/decrease in creditors		(1,644,706)	5,652,346
Corporation tax paid		(1,857,352)	(2,099,068)
Net cash inflow from operating activities		16,516,458	9,232,471
Investing activities			
Capital expenditure and financial investment		(8,749,649)	(2,053,463)
Proceeds from disposal of tangible fixed assets		71,000	-
Net cash outflow used in investing activities		(8,678,649)	(2,053,463)
Financing activities			
Repayment of loans		(4,367,072)	(5,363,824)
Interest paid	5	(203,484)	(155,954)
Equity dividends paid	16	(450,000)	(540,000)
Net cash outflow used in financing activities		(5,020,556)	(6,059,778)
Increase in cash in the year		2,817,253	1,119,230
Cash at bank and in hand at 1 October 2015		1,148,414	29,184
Cash at bank and in hand at 30 September 2016	20	3,965,667	1,148,414

Notes to the financial statements

for the year ended 30 September 2016

1. Accounting policies

Statement of compliance and change in accounting policy

Kolak Snack Foods Limited is a private limited company incorporated and domiciled in England and Wales. The Registered Office is C/o 308-310 Elveden Road, London, NW10 7ST.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 30 September 2016. The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 October 2015. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance of the Company is set-out in note 21.

Basis of preparation

The financial statements of Kolak Snack Foods Limited were authorised for issue by the Board of Directors. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £.

During FY 15, consolidated financial statements were prepared as the Company had a subsidiary, which was dormant and immaterial to the financial statements. The subsidiary was disposed of during FY 15; there was no loss or gain on disposal. As no subsidiary exists, the FY 16 financial statements have been prepared on the basis of Kolak Snack Foods as a standalone company.

The comparative financial information is based on the results of Kolak Snack Foods as a group, the impact of the results and financial position of the subsidiary is restricted to accrued expense and retained losses of £1,275 and is considered negligible.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments – company as a lessee

The Company has entered into lease of land and buildings. The classification of such lease as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the asset, the present value of the minimum lease payments not amounting to substantially all of the fair value of the asset, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are provided in note 7.

Trade and Other Debtors

Trade and other debtors are recognised when it is probable that future economic benefit will flow to the Company. Trade and other debtors are carried at original invoice or contract amount less any provisions for other discounts and doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Further details on trade debtors are provided in note 10.

Notes to the financial statements (continued)

for the year ended 30 September 2016

1. Accounting policies (continued)

Inventory

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Further details on inventories are provided in note 9.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold properties	Straight Line over the life of the lease
Plant and machinery	15% on net book value – reducing balance
Fixtures and fittings and equipment	15% on net book value – reducing balance
Motor vehicles	25% on net book value – reducing balance
Computers	20% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

As part of its transition to FRS 102, the Company recognised an adjustment of £3,349,391 in respect of the valuation of plant and machinery. An identical adjustment was also recognised in reserves.

Investments

Investments are stated at cost less provision for impairment.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue is generated from the sale of goods, and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on dispatch, 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.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transactions costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar expenses.

Notes to the financial statements (continued)

for the year ended 30 September 2016

1. Accounting policies (continued)

Research and Development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- | | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Raw materials and consumables | - Purchase cost on a first-in, first-out basis |
| Finished goods | - cost of direct materials and labour plus attributable overheads based on a normal level of activity on a first in first out basis |

Net realisable value represents what would be achieved in the normal course of business after allowing for the costs of realisation. In the opinion of the directors, there is no material difference between the carrying value of stock and its replacement cost.

Financial Instruments

a) Financial assets

Financial assets principally comprise trade receivables, related party balances and cash and bank balances, and are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b) Financial liabilities

Financial liabilities principally comprise trade and other payables, bank loans, hire purchase obligations and loans from related parties, and 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 receipts discounted at a market rate of interest.

Notes to the financial statements (continued)

for the year ended 30 September 2016

1. Accounting policies (continued)

b) Financial liabilities (continued)

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Interest income and expense is recognised as it accrues in the statement of comprehensive income using the effective interest method.

c) Offsetting

Financial assets and liabilities are offset and 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.

Income taxes

Current income tax

Corporation tax payable is provided on taxable profits at current rates.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business
- combination a deferred tax liability/ (asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)

for the year ended 30 September 2016

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Provision is made for dilapidations where the lease requires the reinstatement of the premises to its original state, and is based on third party external evidence.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Leasing and hire purchase commitments

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Dividends

Final dividend distributions to shareholders are recognised as a liability in the company's financial statements in the year in which the dividends are approved by the board. Interim dividend distributions are recognised in the year in which the dividends are declared.

Pension

The company operates a defined contribution pension scheme. Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Notes to the financial statements (continued)

for the year ended 30 September 2016

2. Turnover

Turnover represents the amount derived from the provision of goods, which fall within the Company's continuing ordinary activities and is stated net of value added tax. Turnover of the company is primarily attributable within UK.

	2016 £	2015 £
Geographical market by destination		
UK	110,213,459	100,681,239
Europe	8,699,200	8,526,879
Rest of the world	1,252,445	326,666
	<u>120,165,104</u>	<u>109,534,784</u>

	2016 £	2015 £
Turnover by origin		
Continuing operations:		
Total sales	120,165,104	109,534,784
Related party sales	-	109,534,784
Sales to third parties	120,165,104	-

3. Operating profit

Operating profit is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible assets	2,925,618	2,537,805
Amortisation of intangible assets	-	543,753
Operating lease charges	2,479,681	2,877,531
Auditors' remuneration (note 4)	65,000	88,800
Loss on disposal of tangible assets	43,400	-
Loss/(gain) on foreign currencies	68,893	(51,738)

4. Auditors' remuneration

	2016 £	2015 £
Audit of financial statements	40,000	30,000
Other services	25,000	58,800
	<u>65,000</u>	<u>88,800</u>

During the year, the Company's auditor changed from PricewaterhouseCoopers LLP to Ernst & Young LLP. Remuneration in respect of the audit of the financial statements for FY 15 relates to the former, and for FY 16, the latter.

Notes to the financial statements (continued)

for the year ended 30 September 2016

4. Auditors' remuneration (continued)

Fees for other services in FY 16 relate to accountancy advisory. Fees charge by the predecessor auditor in FY 15 principally relate to taxation advisory services.

5. Interest payable and similar charges

	2016 £	2015 £
Interest on loans from bank	150,381	92,337
Interest on other obligations	22,888	40,317
Finance charges payable under finance leases and hire purchase contracts	30,214	23,300
	<u>203,484</u>	<u>155,954</u>

6. Staff costs

(a) Employment costs

	2016 £	2015 £
Wages and salaries	15,900,539	14,752,370
Social security costs	1,219,829	1,066,785
Other pension costs	96,881	88,127
	<u>17,217,249</u>	<u>15,907,282</u>

Number of employees

The average monthly numbers of employees (including the directors) during the year were:

	2016 £	2015 £
Production staff	870	841
Office and management	37	29
	<u>907</u>	<u>870</u>

(b) Director's remuneration

	2016 £	2015 £
Aggregate remuneration in respect of qualifying services	671,759	437,405
Aggregate amounts receivable under defined contribution schemes	3,546	3,483
	<u>675,304</u>	<u>440,888</u>

	2016 No.	2015 No.
Number of directors accruing benefits under defined benefit schemes	<u>3</u>	<u>3</u>

Notes to the financial statements (continued)

for the year ended 30 September 2016

6. Staff costs (continued)

In respect of the highest paid director:

	2016	2015
	£	£
Aggregate remuneration	252,204	200,888

The company operates a defined contribution pension scheme in respect of the directors and Employees. The assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £96,881 (2015: £88,127).

7. Tax

	2016	2015
	£	£
Tax on profit on ordinary activities		
<i>The tax charge is made up as follows:</i>		
Current tax:		
Corporation tax charge for the year	3,780,310	2,112,056
Adjustment in respect of previous years	433,175	10,560
Other	(9,964)	-
Total current tax	4,203,521	2,122,616
Deferred tax		
Impact of changes in tax rate	(210,974)	3,043
Adjustment in respect of previous years	(1,161)	65,252
Timing differences, origination and reversal	278,786	(125,109)
Other	57,872	-
Total deferred tax	124,523	(56,814)
Tax on profit on ordinary activities	4,328,044	2,065,802

Notes to the financial statements (continued)

for the year ended 30 September 2016

7. Tax (continued)

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 21% (2015:20.5%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before taxation	19,347,447	9,498,995
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (30 September 2015: 20.5%)	3,869,489	1,947,294
<i>Effects of:</i>		
Expenses not deductible for tax purposes	189,605	39,653
Depreciation for year in excess of capital allowances	-	21,492
Movement in short term timing differences	-	46,803
Tax rate changes	(210,974)	-
Adjustments to tax charge in respect of previous periods	432,014	10,560
Other timing differences	47,910	-
Total tax charge for year	<u>4,328,044</u>	<u>2,065,802</u>

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profit for the period ended 30 September 2016 is therefore taxed at an effective rate of 20%.

Further changes to the UK Corporation tax system were announced in the Autumn 2016 Budget Statement. The Chancellor announced in the Finance Bill 2016 a further reduction in Corporation Tax, previously announced reductions to 19% from 1 April 2017 and then to 18% from 1 April 2020. Instead the rate will reduce from 19% to 17% on 1 April 2020.

The reduction in tax rates was substantively enacted on 23 November 2016 and therefore a tax rate of 17% has been used to measure the deferred tax liabilities.

Deferred tax

	£
At 1 October 2015	1,128,888
Originating and reversal of timing differences	<u>124,523</u>
At 30 September 2016	<u>1,253,411</u>

Notes to the financial statements (continued)

for the year ended 30 September 2016

8. Tangible fixed assets

	<i>leasehold property</i> £	<i>Plant and machinery</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Computer</i>	<i>Motor vehicles</i> £	<i>Total</i> £
Cost						
At 1 October 2015	97,256	17,078,491	1,025,807	-	136,513	18,338,067
Transfers	-	-	(279,135)	279,135	-	-
Disposals	(80,638)	(16,691)	-	-	(136,513)	(233,842)
Additions	1,871,994	6,723,142	134,493	20,020	-	8,749,649
At 30 September 2016	1,888,612	23,784,942	881,165	299,155	-	26,853,874
Depreciation						
At 1 October 2015	53,088	-	484,172	-	11,376	548,636
Transfers	-	-	(84,846)	84,846	-	-
Charge for the year	96,134	2,694,607	64,810	41,390	28,677	2,925,618
Disposals	(62,698)	-	-	-	(40,053)	(102,751)
At 30 September 2016	86,524	2,694,607	464,136	126,236	-	3,371,503
Net book value						
At 30 September 2016	1,802,088	21,090,335	417,029	172,919	-	23,482,371
At 30 September 2015	44,168	17,078,491	541,635	-	125,137	17,789,431

9. Stocks

	2016 £	2015 £
Raw materials	4,460,946	4,722,684
Spares and engineering stocks	783,977	606,352
Finished goods and goods for resale	968,060	997,718
	<u>6,212,982</u>	<u>6,326,754</u>

Notes to the financial statements (continued)

for the year ended 30 September 2016

10. Debtors

	2016	2015
	£	£
Trade debtors – (2015 £0.1m under invoice finance)	20,422,571	18,785,564
Amounts owed by related parties	4,280,689	3,694,592
Prepayments	2,720,404	2,328,303
	<u>27,423,664</u>	<u>24,808,459</u>

Amounts owed to related parties are interest-free, repayable on demand and unsecured.

11. Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank overdraft	-	25,136
Bank loan	-	739,256
Advances under invoice finance arrangements	-	101,072
Hire purchase arrangement	-	219,971
Trade creditors	12,741,484	10,094,571
Amounts owed to parent undertaking	-	223
Corporation tax	3,626,608	1,280,439
Other taxes and social security costs	4,327,026	2,260,246
Directors' loan accounts	-	1,043,273
Other creditors (amounts due to related parties)	-	4,814,770
Accruals	1,692,644	2,713,467
	<u>22,387,761</u>	<u>23,292,424</u>

12. Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Bank loan	-	3,009,273
Hire purchase arrangement	-	297,500
Other loan	-	-
	<u>-</u>	<u>3,306,773</u>
Bank and Other Loans		
Repayable between one and two years	-	971,841
Repayable between two and five years	-	1,457,769
Repayable in five years or more	-	579,663
	<u>-</u>	<u>3,306,773</u>

Notes to the financial statements (continued)

for the year ended 30 September 2016

12. Creditors: amounts falling due after more than one year (continued)

	2016	2015
	£	£
<i>Hire purchase arrangement</i>		
Repayable between one and two years	-	297,500
Repayable between two and five years	-	-
	<u>-</u>	<u>297,500</u>

All loans and hire purchase agreements were settled by the Company in 2016. Previously, bank loans and overdrafts were secured by an unlimited multilateral guarantee given by the Company. A commercial rate of interest linked to LIBOR was applied, and loans were repayable over the period from 2014 to 2026.

13. Obligations under leases and hire purchase contracts

At 30 September 2016 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		<i>Vehicles</i>	
	2016	2015	2016	2015
	£	£	£	£
Expiry date:				
Within one year	2,644,695	1,858,592	45,546	49,918
Between one and five years	9,622,773	2,887,246	53,056	52,555
In over five years	22,350,000	-	-	-
	<u>34,617,468</u>	<u>4,745,838</u>	<u>98,602</u>	<u>102,473</u>

14. Provisions for liabilities

	<i>Deferred tax</i>	<i>Provision for dilapidation</i>	<i>Total</i>
	£	£	£
<i>At 1 October 2014</i>	1,185,702	-	1,185,702
Credit for the year	(56,814)	-	(56,814)
<i>At 1 October 2015</i>	1,128,888	-	1,128,888
Transferred to profit and loss account	124,523	504,000	628,523
<i>At 30 September 2016</i>	<u>1,253,411</u>	<u>504,000</u>	<u>1,757,411</u>

15. Share capital

	2016	2015
	£	£
<i>Authorised</i>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid equity</i>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Notes to the financial statements (continued)

for the year ended 30 September 2016

16. Dividends and other appropriation

	2016 £	2015 £
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares:		
Final dividend for 2015: £ 0.54 per share (2014: £ nil per share)	-	540,000
Final dividend for 2016: £ 0.45 per share (2015: £ nil per share)	450,000	-

17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £420,189 in relation to plant and machinery (2015 - £2,979,504).

18. Financial instruments

	2016 £	2015 £
Cash	3,965,667	1,173,558
<i>Financial assets measured at amortised cost:</i>		
Trade debtors	20,422,571	18,785,564
Amounts owed by related parties	4,280,689	3,694,592
<i>Financial liabilities measured at amortised cost:</i>		
Bank overdraft	-	25,136
Bank loan	-	739,256
Advances under invoice finance arrangements	-	101,072
Hire purchase arrangement	-	219,971
Trade creditors	12,741,484	10,094,571
Amounts owed to parent undertaking	-	223
Directors loan accounts	-	1,043,273
Other creditors	-	4,814,770

As a result of entering into financial instruments, the Company is exposed to various forms of financial instrument risk. The Directors evaluation of the resultant exposure to risk and its methods of mitigating exposure to such risks are set-out in the strategic report. Certain other information is provided below.

Interest rate risk

The Company was exposed to interest rate risk on its interest bearing liabilities (bank and other loans and hire purchase arrangements). The sensitivity of the income statement is the effect of the assumed changes in interest rates on profit for one year, based on the floating rate financial assets and financial liabilities held at 30 September.

Notes to the financial statements (continued)

for the year ended 30 September 2016

18. Financial instruments (continued)

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

	<i>Increase/in basis points</i>	<i>Effect on profit for the year £</i>
2016	+25	3,800
2015	+25	7,600

There is no direct impact on reserves.

Credit risk

The Company seeks to limit its exposure to credit risk arising from customers by setting credit limits for individual customers and monitoring outstanding receivables. The 5 largest customers represent 73% of outstanding contract receivables at 30 September 2016 (2015: 60%).

With respect to credit risk arising from the other financial assets, including cash and cash equivalents, the Company's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

Liquidity risk

Information regarding the maturity of financial liabilities is provided in notes 12 and 13. The gross contractual maturity of bank loans and hire purchase agreements was £10,907,906 and £308,595 respectively.

Capital management

The primary objective of the Company's capital management policy is to ensure it maintains a healthy capital ratio in order to support its business and maximise shareholder value. Capital comprises share capital, share premium, profit and loss account and other non-distributable revaluation reserve and is measured at £36,939,512 (2015: 22,370,109).

The Company manages its capital structure and makes adjustments to it, in light of changes in business conditions, no changes were made to the capital management policy in either year.

19. Related party transactions

Transactions with companies controlled by directors

The transactions and balances set-out in the table below took place with companies controlled by directors who resigned subsequent to the year-end (as set out on page 2) or directly with those directors. Outstanding balances with entities are unsecured and interest free.

	<i>Rental expense from a related party £</i>	<i>Balance owed to related parties £</i>	<i>Balance due from related parties £</i>
2016:			
Subsidiary undertakings	2,112,500	-	4,280,689
2015:			
Subsidiary undertakings	2,585,000	5,858,266	3,694,592

Notes to the financial statements (continued)

for the year ended 30 September 2016

19. Related party transactions (continued)

Compensation of key management personnel

In addition to directors remuneration set-out in note 6, compensation to other key management personnel comprises the following:

	2016 £	2015 £
Remuneration	748,827	509,317
Pension	3,463	3,846
Other short term benefits	29,937	28,449
	<u>782,227</u>	<u>541,612</u>

20. Analysis of changes in debt

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	1,173,550	2,792,117	3,965,667
Overdrafts	(25,136)	25,136	-
	<u>1,148,414</u>	<u>2,817,253</u>	<u>3,965,667</u>
<i>Amounts falling due within one year</i>			
Bank loan	(739,256)	739,256	-
Advances under invoice finance arrangements	(101,072)	101,072	-
Hire purchase arrangements	(219,971)	219,971	-
<i>Amounts falling due after more than one year</i>			
Bank loan	(3,009,273)	3,009,273	-
Hire purchase arrangements	(297,500)	297,500	-
	<u>(4,367,072)</u>	<u>4,367,072</u>	<u>-</u>
Net debt	<u>(3,218,658)</u>	<u>7,184,325</u>	<u>3,965,667</u>

21. Transition to FRS 102

For all periods up to and including the year ended 30 September 2015, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 30 September 2015, are the first the company has prepared in accordance with FRS 102.

Accordingly, the company has prepared financial statements which comply with FRS 102 together with the comparative period data as at and for the year ended 30 September 2015, as described in the summary of significant accounting policies. This note explains the principal adjustments made by the company in restating its UK GAAP financial statements, including the balance sheet as at and for the year ended 30 September 2015.

Notes to the financial statements (continued)

for the year ended 30 September 2016

21. Transition to FRS 102 (continued)

Transitional relief

On transition to FRS 102 from UK GAAP, the company has taken advantage of transitional relief as follows:

- The company has elected to treat the carrying amount of tangible assets under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.
- On transition, goodwill was written down to nil.

The Company recognised an adjustment of £3,349,391 in respect of the valuation of plant and machinery. The corresponding entry was recognised in reserves.

Reconciliation of equity at 1 October 2015:

£

Equity Shareholders' funds 1 October 2014 under previous UK GAAP	12,127,525
Adjustment to deemed valuation of tangible fixed assets	3,349,391
Equity shareholders' funds at 1 October 2014 under FRS 102	<u>15,476,916</u>

Reconciliation of equity at 30 September 2016:

£

Equity shareholders' funds at 30 September 2015 under previous UK GAAP	19,020,718
Adjustment to deemed valuation of tangible fixed assets	3,349,391
Equity shareholders' funds at 30 September 2015 under FRS 102	<u>22,370,109</u>

The transition to FRS 102 had no impact to profit.

22. Ultimate parent undertaking and controlling party

At 30 September 2016, the company's immediate and ultimate parent undertaking was Mosaic (IOM) Limited, a company incorporated in Isle of Man. The directors considered Mosaic (IOM) to be its controlling party. The results and financial position of the Company as at, and for the year ending 30 September 2016 are not consolidated into the financial statements of any other company.

Subsequent to the year-end, on 5 October 2016, the share capital of the company was acquired by Snacks Development SAS and as a result, a new holding company, Snacks International Development UK Ltd was introduced to hold the share capital of the Company. At the date of approving these financial statements, the directors consider Snacks Development SAS to be the ultimate parent and controlling party.