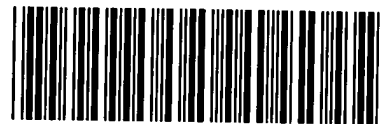


Kolak Snack Foods Limited

Report and Financial Statements

31 January 2020

MONDAY



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21/09/2020

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COMPANIES HOUSE

Director

Etienne Lecomte

Auditor

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

Banker

HSBC Bank Plc
8 Canada Square,
London E14 5HQ

Solicitor

Allen & Overy LLP
52 Avenue Hoche
Paris 75008

Registered Office

308-310 Elveden Road
London NW10 7ST

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 January 2020.

Principal activities and 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. The group has enhanced its reputation as the premium supplier of stack chips over the last few years.

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

	<i>Year ended 31 January 2020 £</i>	<i>Year ended 31 January 2019 £</i>
Turnover	175,532,693	156,407,667
Operating profit	7,763,322	10,633,360
Profit for the year	6,549,257	8,452,038
Shareholders' funds	42,751,968	38,022,711
Average number of employees	1,013	912

Turnover and, importantly volumes continue to grow strongly in the UK 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 Director is delighted to report that it has been another successful year from a revenue perspective, achieving sales of £175.5 million (2019 – £156.4 million) and operating profit of £7.76 million (2019 – £10.6 million). The improved trading performance in 2020 was enhanced by continued investment in people, process, technologies and our new plant in Stevenage and the new dedicated Storm line which went live in Jan-20. However, profitability has been affected as a result of an increase in the price of potatoes, labour and group charges.

The company acquired a new stack chips line a few years ago and following a reassessment of the deployment of the asset has decided to transfer it to a fellow group company. As a result, there has been an exceptional impairment charge of £1,311k in regard to this line.

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

We have successfully continued to achieve organic growth from our existing customers as well as developing new business and increasing product lines. The Stevenage site has increased production during this financial year and is still working below its full capacity. The Company expects to increase production during the year ending January 2021 due to the continuous investment in production capacity.

Strategic report

Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders as a whole. In doing so, the directors' must have regard (among other matters) to:

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

Decision making

The Company recognises the importance of good governance to the success of the Company. The Board determines the strategic objectives and policies of the Group to best support the delivery of long-term value, providing overall strategic direction with an appropriate framework of rewards, incentive and controls. The Company has good systems of financial controls and risk management, the Board takes decisions that affect the success of the Company in long term after a thorough review. The Board undertakes its decisions by ensuring safety, efficiency, smart technology adoption and sustainability.

Employees

The company is committed to both the training and development of employees and the retention of key personnel. During 2019, the company continued to provide food safety and technical training to its production employees.

Customers and Suppliers

The company is constantly receiving feedback from customers through account managers in order to understand their needs and changes in the market through innovations made by our R&D teams (NPD). Regular reviews are conducted for key accounts. The company recognises its importance in the supply chain to our customers and strives to ensure we deliver products on time and of the highest quality. As a responsible business, our supplier payments are made within the respective credit terms. The Company implements adequate security measures in order to maintain the privacy of its customers and suppliers.

Community and Environment

The Company is committed to the wider social and economic impact of its operations. The company continues to invest resource in waste management and ensuring its disposal in a responsible manner by engaging experienced waste management contractors. Company engages in R&D projects to develop new eco-friendly product and packing, to reduce energy consumption and so reducing its carbon footprint on the environment.

Company and high standards of Conduct

The Company adopts high ethical standards and follows a strict policy of maintaining integrity. Any payments or gifts whether directly or indirectly for securing the business is strictly prohibited by the Company.

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

The Director has reviewed the financial performance of the business and doesn't foresee any significant impact from Brexit issue due to its limited exposure on the European market and having its ultimate parent company trading on the continent already. The director is fully conscientious of the potential impact on the labour force, material requirements and import and export operations. The company held meetings with various recruitment agencies to ensure there is a constant supply of workers for our production sites and continues to invest in capital expenditure projects to reduce the level of manpower resources on its production lines.

Brexit is still an uncertainty to our business. However, measures are being taken to minimise any impact on our operations, having our parent company within the European Union will cushion our landing should there be a no deal Brexit.

IR35 will have a negligible issue to our business as we don't rely on contractors as such and most of the labour force are within our payroll or agencies whereby labourers are recorded properly through a payroll system.

Covid-19 Risk - Significant events after January 31, 2020

Since January 2020, the impact of COVID – 19 has been seen across the UK impacting the health and wellbeing of individuals and companies. Like many companies Kolak's first priority has been the safety and well-being of its staff; its customers and its communities.

Kolak has been very responsive and has adapted its operations and practices as the announcements from the UK government have evolved to ensure best practice is observed at all times.

Kolak operates in the Agri food industry which has seen stable demand for food products. The main impact on the Company has been how to maintain manufacturing capacity whilst ensuring the safety of its staff. The flexibility and capacity of the two factories has meant that the Company's continued to produce and sell product during the crisis, making it possible to meet sustained customer demand.

We have noted to date:

- No break in the supply chains of raw materials or spare parts and none expected
- No break in the distribution chains of finished products
- No major negative impact on our turnover.

The Directors are closely monitoring the impact of CV-19 on the company's performance and its ability to continue as a going concern. To date, performance has remained resilient and with the measures that management have put in place manufacturing capacity has been able to meet demand. As such management continue to adopt the going concern principle in the preparation of the financial statements.

Financial instrument risks

In conducting its operating 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 enough 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. 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.

Strategic report

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 enough available funds for operations and planned expansions. The management team reviews cash flow projections on a weekly basis.

One of the Company's biggest risks comes from the potential failure of suppliers. The Company therefore obtains credit scores on key suppliers and seeks to spread supplier risk where possible. In this financial year our procurement department was centralized to some extent for some of our raw materials to increase our purchasing power with the group.

On behalf of the Board



Etienne Lecomte

Date

26/02/2020

Registered No. 01800911

Directors' report

The directors present their report and financial statements for the year ended 31 January 2020.

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 highly competitive in 2020/21. 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 gone through a full review of its data protection policy and is well on track with the General Data Protection Regulation compliance.

Going concern

As detailed in the Strategic Report, the Directors have carefully assessed the impact of COVID – 19 on the performance of the company and on its ability to continue as a going concern. After making suitable enquiries, the director has a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and has therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Director

The director who served the company during the year and up to the date of approving the financial statements for issue was Etienne Lecomte. However, his predecessor C Fenart resigned as director on 13 December 2019.

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 the company's auditor, the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP will be proposed for re-appointment and have expressed their willingness to continue in office.

On behalf of the Board


Etienne Lecomte
Date

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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 year.

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.

The directors have performed their duty under section 172(1) and has engaged to all its stakeholder-related matters These matters were commonly well-described, and included:

- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment

Independent auditors' report

to the members of Kolak Snack Foods Limited

Opinion

We have audited the financial statements of Kolak Snack Foods Limited for the year ended 31 January 2020 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cashflows and the related notes 1 to 22, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2020 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 Note 1 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting consumer demand and personnel available for work. 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.

Independent auditors' report

to the members of Kolak Snack Foods Limited

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 directors' responsibilities statement set out on page 8, 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.

Independent auditors' report

to the members of Kolak Snack Foods Limited

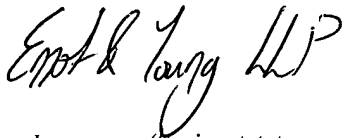
Auditor's responsibilities for the audit of the financial statements

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.



James Lovegrove (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date 26 June 2020

Statement of comprehensive income

for the year ended 31 January 2020

	Notes	2020 £	2019 £
Turnover	2	175,532,693	156,407,667
Cost of sales		<u>(158,282,163)</u>	<u>(137,356,465)</u>
Gross profit		17,250,530	19,051,202
Administrative expenses		(8,175,618)	(6,927,194)
Exceptional cost		<u>(1,311,590)</u>	<u>(1,490,648)</u>
Operating profit	4	7,763,322	10,633,360
Other Income	3	540,742	–
Interest payable and similar charges	6	<u>(42,850)</u>	<u>(280,659)</u>
Profit on ordinary activities before taxation		8,261,214	10,352,701
Tax on profit on ordinary activities	8	<u>(1,711,957)</u>	<u>(1,900,663)</u>
Profit for the year		6,549,257	8,452,038
Other comprehensive income		–	–
Total comprehensive income		<u>6,549,257</u>	<u>8,452,038</u>

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

Statement of changes in equity

for the year ended 31 January 2020

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Other reserves</i>	<i>Total shareholders' funds</i>
	£	£	£	£	£
At 1 February 2018	1,000,000	12,000	35,565,756	3,349,391	39,927,147
Profit for the year	–	–	8,452,038	–	8,452,038
Distribution	–	–	(7,236,474)	–	(7,236,474)
Dividends paid	–	–	(3,120,000)	–	(3,120,000)
At 31 January 2019	1,000,000	12,000	33,661,320	3,349,391	38,022,711
Profit for the year	–	–	6,549,257	–	6,549,257
Dividends paid (note 10)	–	–	(1,820,000)	–	(1,820,000)
At 31 January 2020	1,000,000	12,000	38,390,577	3,349,391	42,751,968

Other reserves

Other reserves arose on transition to FRS 102, as tangible fixed assets were incorporated at deemed cost in accordance with FRS 102. Other reserves are non-distributable.

Statement of financial position

at 31 January 2020

		2020	2019
	Notes	£	£
Fixed assets			
Tangible fixed assets	10	40,335,659	39,035,029
Current assets			
Stocks	11	11,780,690	10,482,862
Debtors	12	34,424,497	27,654,848
Cash at bank and in hand		<u>7,529,879</u>	<u>5,166,041</u>
		53,735,066	43,303,751
Creditors: amounts falling due within one year	13	<u>(49,147,286)</u>	<u>(42,262,915)</u>
Net current assets		<u>4,578,780</u>	<u>1,040,836</u>
Total assets less current liabilities		44,923,439	40,075,865
Non-current liabilities			
Provision for liabilities	15	<u>(2,171,471)</u>	<u>(2,053,154)</u>
Net assets		<u>42,751,968</u>	<u>38,022,711</u>
Capital and reserves			
Called up share capital	16	1,000,000	1,000,000
Share premium account		12,000	12,000
Profit and loss account		38,390,577	33,661,320
Other reserves		3,349,391	3,349,391
Total shareholders' funds		<u>42,751,968</u>	<u>38,022,711</u>

The financial statements were approved by the Board on

and signed on its behalf by

Etienne Lecomte

Date

26/06/2020

Registered number: 01800911

Statement of cash flows

for the year ended 31 January 2020

		2020	2019
	Notes	£	£
Operating activities			
Profit for the year		6,549,257	8,452,038
Tax on profit on ordinary activities	8	1,711,957	1,900,663
Adjustments to profit for the year			
Interest payable and similar charges	6	42,850	280,659
Loss on disposal of tangible assets		123,762	-
Depreciation of tangible fixed assets	10	4,559,164	4,351,470
Exceptional Cost	10	1,311,590	1,490,648
Working capital movements			
Increase in stocks		(1,297,829)	(470,732)
Increase in debtors		(6,500,206)	(2,398,621)
Increase in creditors		6,884,371	13,360,301
Corporation tax paid		(1,862,793)	(3,816,431)
Net cash inflow from operating activity		<u>11,522,123</u>	<u>23,149,995</u>
Investing activities			
Capital expenditure		(7,392,335)	(8,006,504)
Proceeds from disposal		96,900	-
Net cash outflow used in investing activity		<u>(7,295,435)</u>	<u>(8,006,504)</u>
Financing activities			
Interest paid	6	(42,850)	(280,659)
Equity dividends and distribution paid	9	(1,820,000)	(10,356,474)
Repayment of loans		-	(9,571,429)
Net cash outflow (used in)/from in financing activities		<u>(1,862,850)</u>	<u>(20,208,562)</u>
Increase / (decrease) in cash in the year		2,363,838	(5,065,071)
Cash at bank and in hand at 1 February 2019		5,166,041	10,231,112
Cash at bank and in hand at 31 January 2020	18	<u>7,529,879</u>	<u>5,166,041</u>

Notes to the financial statements

at 31 January 2020

1. Accounting policies

Statement of compliance

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 financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 January 2020.

Basis of preparation

The financial statements of Kolak Snack Foods Limited were authorised and issued 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 £.

Going concern

As detailed in the strategic report COVID – 19 has, like for many companies, had a significant impact on Kolak. As part of the Director's assessment of going concern, management have prepared detailed forecast assessments considering the wider economic impact of COVID – 19 as well as recent performance over April and May 2020 following the implementation of the UK lockdown measures and prepared a series of anticipated and severe down-side scenarios.

This assessment has shown, supported by the continued customer demand and operational capacity over recent months, that Kolak has sufficient resources and ability to generate profits to be able to meet its obligations and liabilities as they fall due and as such the Director has considered the going concern basis of preparation appropriate for these financial statements.

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 reporting 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. Obligations under operating leases are set-out in note 14.

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 8.

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. Trade debtors are provided in note 12.

Notes to the financial statements

at 31 January 2020

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. Inventories are provided in note 11.

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	5-10 years straight-line
Fixtures, fittings and equipment	7 years straight-line
Computer equipment	3 years 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.

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 (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.

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.

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
	cost of direct materials and labour plus attributable overheads
Finished goods	- 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.

Notes to the financial statements

at 31 January 2020

1. Accounting policies (continued)

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 year 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

Short-term financial liabilities principally comprise trade and other payables and amounts due to 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.

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

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.

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

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

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 attributed transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised as it accrues in the statement of comprehensive income using the effective interest method.

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

at 31 January 2020

1. Accounting policies (continued)

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.

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.

Notes to the financial statements

at 31 January 2020

1. Accounting policies (continued)

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 period in which the dividends are approved by the board. Interim dividend distributions are recognised in the period 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.

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.

	2020	2019
	£	£
<i>Geographical market by destination</i>		
UK	162,703,663	143,330,374
Europe	12,629,915	12,871,188
Rest of the world	199,115	206,105
	<u>175,532,693</u>	<u>156,407,667</u>

3. Other Income

	2020	2019
	£	£
Non-trading income	64,478	-
Other income	476,264	-
	<u>540,742</u>	<u>-</u>

Notes to the financial statements

at 31 January 2020

4. Operating profit

Operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation of tangible assets	4,559,164	4,351,470
Exceptional cost (note 10)	1,311,590	1,490,648
Operating lease charges	3,092,046	2,708,480
Gain on foreign currencies	(312,038)	(98,759)

5. Auditor's remuneration

	2020	2019
	£	£
Audit of financial statements	77,210	70,040

6. Interest payable and similar charges

	2020	2019
	£	£
Interest on loans from bank	-	263,492
Other Interest and bank charges	42,850	17,167
	42,850	280,659

7. Staff costs

	2020	2019
	£	£
Wages and salaries	21,675,582	19,669,450
Social security costs	1,829,725	1,696,623
Other pension costs	589,209	224,616
	24,094,516	21,590,689

The average monthly number of employees (including the directors) during the year was made up as follows:

	2020	2019
	£	£
Production	950	880
Office and management	63	32
	1,013	912

Notes to the financial statements

at 31 January 2020

Staff costs (continued)

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.

No remuneration was paid or is payable to the director in his capacity as director of the Company. £1,073k (€1,227k) (2019 – £364.3k) was recharged by a fellow group company in respect of services rendered by the director to the Company and its parent undertaking, Snacks International Development UK Limited.

8. Tax

Tax on profit on ordinary activities

The tax charge is made up as follows:

	2020	2019
	£	£
Current tax:		
Corporation tax charge for the year	240,233	548,153
Adjustment in respect of prior periods	(60,646)	(312,139)
Payment made for group relief	<u>1,412,053</u>	<u>1,697,449</u>
Total current tax	<u>1,591,640</u>	<u>1,933,463</u>
Deferred tax		
Adjustment in respect of prior periods	(43,359)	(6,912)
Timing differences, origination and reversal	<u>163,676</u>	<u>(25,888)</u>
Total deferred tax	<u>120,317</u>	<u>(32,800)</u>
Tax on profit on ordinary activities	<u>1,711,957</u>	<u>1,900,663</u>

(a) Factors affecting tax charge for the year

The tax assessed for the year is at standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before taxation	<u>8,261,214</u>	<u>10,352,701</u>
Tax on profit on ordinary activities at standard rate of 19% (2019:19%)	1,569,631	1,967,014
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(10,705)	977
Depreciation on assets not qualifying for capital allowances	257,036	251,723
Adjustments to tax charge in respect of prior period	(104,005)	(319,051)
Group relief claimed	(1,412,053)	(1,697,449)
Payment made for group relief	<u>1,412,053</u>	<u>1,697,449</u>
Total tax charge for year	<u>1,711,957</u>	<u>1,900,663</u>

Notes to the financial statements

at 31 January 2020

Tax (continued)

(b) Deferred tax

	£	£
At 1 February 2019	1,575,564	1,1608,364
(Credited)/charged to the profit and loss account	120,317	(32,800)
At 31 January 2020	<u>1,695,881</u>	<u>1,575,564</u>

Deferred tax comprises:

Accelerate capital allowances	1,539,247	1,414,957
Other	156,634	160,606
	<u>1,695,881</u>	<u>1,575,564</u>

(c) Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent. This is considered a non-adjusting post balance sheet event and as such a rate of 17% has therefore been applied to the company's deferred tax liabilities.

During the year, £1,412,053 (2019 – £8,933,943) of tax losses were purchased from the immediate parent undertaking. £1,412,053 (2019 – £1,697,449) has been included as a tax charge, the remainder of tax losses nil (2019: £7,236,494) has been treated as a distribution from the subsidiary.

9. Dividends

	2020 £	2019 £
<i>Declared and paid during the year</i>		
Equity dividend on ordinary shares	<u>1,820,000</u>	<u>3,120,000</u>

In addition to the equity dividend, no further distribution this year (2019 – £7,236,474) in the form of tax losses surrendered by the parent was made.

Notes to the financial statements

at 31 January 2020

10. Tangible fixed assets

	<i>Leasehold properties</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings and equipment</i>	<i>Computer equipment</i>	<i>Total</i>
	£	£	£	£	£
<i>Cost:</i>					
At 1 February 2019	4,137,126	45,584,174	1,485,004	850,058	52,056,362
Additions	363,590	6,365,285	562,592	100,868	7,392,335
Disposal	(68,086)	(2,196,951)	–	–	(2,265,037)
At 31 January 2020	4,432,630	49,752,508	2,047,596	950,926	57,183,660
<i>Depreciation:</i>					
At 1 February 2019	536,002	11,127,070	887,731	470,530	13,021,333
Charge for the year	314,073	3,900,958	134,058	210,075	4,559,164
Impairment	–	1,311,590	–	–	1,311,590
Disposal	(68,087)	(1,975,998)	–	–	(2,044,086)
At 31 January 2020	781,988	14,363,620	1,021,788	680,605	16,848,001
<i>Net book value:</i>					
At 31 January 2020	3,650,642	35,388,888	1,025,808	270,321	40,335,659
At 31 January 2019	3,601,124	34,457,104	597,273	379,528	39,035,029

Included within plant and machinery is capital work-in-progress of £5,468,015 and similarly £340,630 for F&F and £75,650 for leasehold properties (2019 – plant and machinery of £13,671,372, F&F of £94,555 and £41,727 for leasehold properties)

As detailed in the strategic report, during the year the Company has entered into an agreement with one of its sister companies in the Europe Snacks Group to transfer one of its stack chips line. As a result, an assessment of its fair market value was made which resulted in an impairment being recognised. The impairment charge represents the difference in the carrying value and the recoverable amount being the estimated fair value. An impairment charge of £1,311,590 has been recognised within profit and loss under the exceptional costs line item. (2019:1,490,648)

11. Stocks

	2020	2019
	£	£
Raw materials	8,902,248	8,385,714
Spares and engineering stocks	1,215,093	681,392
Finished goods and goods for resale	1,663,349	1,415,756
	<u>11,780,690</u>	<u>10,482,862</u>

Notes to the financial statements

at 31 January 2020

12. Debtors

	2020	2019
	£	£
Trade debtors	28,236,127	25,128,146
Amounts owed by related parties	1,005,220	270,196
Prepayments	4,603,344	2,033,623
Corporation tax	579,806	222,883
	<u>34,424,497</u>	<u>27,654,848</u>

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

13. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	15,540,211	15,734,854
Other taxes and social security costs	2,800,344	2,672,322
Amounts due to related parties	28,151,935	21,709,937
Accruals	2,654,796	2,145,802
	<u>49,147,286</u>	<u>42,262,915</u>

14. Obligations under operating leases

At 31 January 2020 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>		<i>Vehicles</i>	
	2020	2019	2020	2019
	£	£	£	£
Expiry date:				
Within one year	2,753,408	2,410,553	15,850	35,568
Between one and five years	10,367,326	8,986,243	1,767	9,024
In over five years	14,732,120	16,967,120	–	–
	<u>27,852,854</u>	<u>28,363,916</u>	<u>17,617</u>	<u>44,592</u>

15. Provisions for liabilities

	<i>Deferred tax</i>	<i>Provision for dilapidation</i>	<i>Total</i>
	£	£	£
At 1 February 2019	1,575,564	477,590	2,053,154
Transferred to profit and loss account	120,317	(2,000)	118,317
As at 31 January 2020	<u>1,695,881</u>	<u>475,590</u>	<u>2,171,471</u>

Notes to the financial statements

at 31 January 2020

16. Issued share capital

<i>Authorised</i>	<i>No.</i>	<i>2020</i>	<i>No.</i>	<i>2019</i>
		£		£
Ordinary shares of £1 each	1,000,000	<u>1,000,000</u>	1,000,000	<u>1,000,000</u>

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2020</i>	<i>No.</i>	<i>2019</i>
		£		£
Ordinary shares of £1 each	1,000,000	<u>1,000,000</u>	1,000,000	<u>1,000,000</u>

17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,167,993 in relation to plant and machinery (2019 – £1,525,030).

18. Financial instruments

	<i>2020</i>	<i>2019</i>
	£	£
Cash	7,529,879	5,166,041
<i>Financial assets measured at amortised cost:</i>		
Trade debtors	28,236,127	25,128,147
Amounts owed by related parties	<u>1,005,220</u>	<u>270,196</u>
<i>Financial liabilities measured at amortised cost:</i>		
Trade creditors	15,540,211	15,742,477
Amounts owed to related parties	<u>28,151,935</u>	<u>21,702,314</u>

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.

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 five largest customers represent 87% of outstanding contract receivables at 31 January 2020 (2019 – 77.5%).

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.

Notes to the financial statements

at 31 January 2020

Financial instruments (continued)

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.

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 reserves and is measured at £42,751,969 (2019 – £38,022,711).

The Company manages its capital structure and make 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 under common control

	<i>Services to related party</i>	<i>Services from related party</i>	<i>Balance owed to related parties</i>	<i>Balance due from related parties</i>
	£	£	£	£
2020:				
Frandex SAS	235,725	916,986	398,731	199,149
Snacks International Development UK	258,199	2,449,078	19,654,143	493,501
Snack Developpement SAS	–	2,742,902	8,095,712	–
Europe Snacks	–	1,793	–	–
Snacks International Development SAS	208,588	–	–	312,570
Immequip Engineering SAS	714	8,367	3,349	–
Total	<u>703,226</u>	<u>6,119,126</u>	<u>28,151,935</u>	<u>1,005,220</u>
2019:				
Frandex SAS	18,046	101,005	16,451	19,063
Snacks International Development UK	235,456	12,291,739	20,969,031	134,797
Snack Developpement SAS	–	1,900,415	671,920	–
Europe Snacks	–	21,256	14,593	–
Snacks International Development SAS	116,336	–	–	116,336
Immequip Engineering SAS	–	266,576	37,942	–
Total	<u>369,838</u>	<u>14,580,991</u>	<u>21,709,937</u>	<u>270,196</u>

Outstanding balances with entities are unsecured and interest free

In addition to Director's remuneration disclosed in Note 8, certain senior employees who have authority and responsibility for planning, directing and controlling activities of the company are considered to be key management personnel. Total remuneration in respect of these individuals is £299,315 which has been recharged through management charge. (2019: £295,351)

Notes to the financial statements

at 31 January 2020

20. Off Balance Sheet Items

Cross guarantees given by Kolak Snacks Foods Limited to financial institutions on behalf of intra-group entities is £193,168 (€220,870)

A pledge over bank accounts (other than dedicated cash pooling accounts) given to financial institutions and assignment by way of security of intra-group receivables (other than cash pooling receivables) to financial institutions.

21. Post Balance sheets events

On 24th April 2020, one section of a specific production line at the Stevenage plant was damaged by fire. It is expected that the insurance proceeds will fall short of the costs to rebuild the line by £500k. The repair work has already commenced and the Company is working closely with the customer to restart production as soon as possible. As the fire occurred after the balance sheet date no provision has been made in these financial statements for this loss.

22. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Snacks Developpment SAS. The director considers Snacks Developpment SAS, to be its controlling party. The results and financial position of the Company are consolidated into the financial statements of Snacks Developpment SAS.