

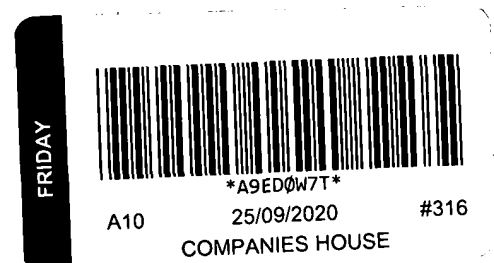
KTC (Edibles) Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 01433723



BDO

KTC (Edibles) Limited

**Annual report and financial statements
for the year ended 31 December 2019**

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Directors

Santokh Singh Khara
Sukhjinder Singh Khara
Paresh Kumar Mehta
Renganathan Ramamoorthy

Secretary and registered office

Renganathan Ramamoorthy, JS House, Moorcroft Drive, Moorcroft Park, Wednesbury, West Midlands,
WS10 7DE

Company number

01433723

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

KTC (Edibles) Limited

Group Strategic Report for the year ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Review of business and future developments

The group's turnover is £288m in 2019 (2018 - £266m). The group continues to increase its market share across all its channels. Optimising the use of infrastructure resources and capabilities, the group has improved its operating profit. Sales for edible oils were as per our projected growth strategy and an increase in sales within the retail sector has come from growing our footprint with new national accounts.

The business has shown strong growth in the manufacturing sector by increasing its portfolio of products. We have also continued to focus on markets outside of the UK, our global reach now takes our KTC brand to over 70 different countries. We are continually looking at opportunities in all our market sectors.

The COVID-19 outbreak has developed quickly globally, with a significant number of infections reported in England. Measures taken by the British government to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus such as health and safety measures for our employees, sanitisation equipment, social distancing and working from home.

At this moment in time, the impact on our business is limited. Our business has not stopped manufacturing and distributing over Q2. We are fortunate of being able to continually replenish and distribute the majority of our essential ingredients we service to all customers and have played an important role in supporting all consumers and essential workers.

We will continue to follow the government's policies and advice. In turn we will do our utmost to continue our operations in the best and safest way possible without risking the health and safety of our employee's.

As government policy continues to evolve over the coming months, we as the management are continually adapting and we do not believe that the impact of the COVID-19 virus would have an adverse effect on our financial condition or liquidity.

The group continues to invest to improve key areas of the business, notably, infrastructure, quality control, IT, environmental, waste and credit management.

The group continues to build on professional and commercial relationships with both its suppliers and customers alike.

The group would like to take note of its staff's dedication over a challenging first half of 2020, we have a devoted team who have not shied away over these challenging times.

Key Performance Indicators

The key performance indicators of the group are as follows:

Turnover
Gross profit margin
Profitability
Cashflow
Working capital

Principal Risks and Uncertainties

The group has an established, structured approach to risk management. The group's activities expose it to a variety of financial risks, including the effects of market changes, credit, liquidity, cash flow, interest rate risk and foreign exchange risks. The group has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the group to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the group to financial risk consist principally of trade creditors, bank overdraft and loans. The policies set by the board of directors are implemented by the group's finance department. Since the group deals essential food product, the directors believe that there is not likely to be significant impact of indirect tax in the coming years due to Brexit.

KTC (Edibles) Limited

Group Strategic Report for the year ended 31 December 2019 (continued)

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board welcomes the new reporting requirement as an opportunity to explain how dialogue with stakeholders has informed and helped to shape its decisions.

Following the announcement of Paresh Mehta's appointment as Managing Director in June 2019 the board engaged with the management team to develop the group's progress. This was supported by extensive dialogue with employees.

Through working collaboratively with management and listening to feedback from the group's stakeholders, the board believes that KTC is well positioned to respond to the increasing uncertainty in the UK food sector. We are embarking on a period of change and are focused on meeting our targets for our stakeholders.

The group has a corporate governance framework which provides for a system of making both strategic and operational decisions. The relevant directors bring the issues concerned with both long term and current operational matters of the group to the board. Points of discussion are then discussed resulting in decisions being derived at after taking into consideration the impact on the group and its stakeholders. Some decisions affect all the stakeholders and others are limited to a few. The group considers the employees, shareholders, customers and suppliers and creditors and financial and government agencies are its stakeholders.

The operational decisions affecting the day to day business are carried out within the existing provisions of various legislations of the companies and financial covenant with the consideration of the interest of the group business, suppliers, customers, employees, shareholders and society at large.

However, the decisions which are having long term impacts such as investment in capital infrastructure, employees, and product range and its availability to customers and the safety of funds of financial institutions are taken with the objective of achieving positive effects on all stakeholders fairly.

The group has been adopting these principles year after year as required by the Sec 172 (1) of the Group Law 2006.

Though there are few such decisions the group has taken during the year 2019, the following specific example of decision making will demonstrate how these decisions comply with the requirement of sec 172 provisions.

The group decided to invest to extend its product range of providing condiments to the catering and retail sector by acquiring Piquant Limited.

This investment would facilitate the group's strength and its supply chain by offering a single source of supply to its catering customers resulting in overall reduction in supply chain cost and in turn achieving efficiencies which would benefit the environment, customers and society at large.

The long-term investment of equity in the supplier group gave an opportunity for KTC to offer the KTC branded product range to the supplier's customers.

The infrastructure and the employees of the acquired group are safeguarded such that there would be no reduction of income for the employees or their benefits, as this investment would result in mutual benefit for both the companies.

Though funding of the investment is accrued from the internal cash generation, the board took consent from the lenders in advance and demonstrated the safety of their funds invested in the business. The board ensured the supplier payment is not post investment.

Overall, the decision to invest was a success and has benefited all the stakeholders of the group as demonstrated above. These decisions are taken after careful consideration of both positive and negative impacts on financial and non financial matters of all stakeholders as it affects the positive growth of the group.

This report was approved by the board on 11th September 2020 and signed on its behalf.


Sukhjinder Singh Khara
Chairman

KTC (Edibles) Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Matters which are considered by the directors to be of strategic importance are included within the strategic report on pages 1 and 2.

Results and dividends

The profit for the year, after taxation, amounted to £5,267,474 (2018 - £2,681,366).

Interim dividends of £1.48p (2018 - £2.72p) per share were paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

Santokh Singh Khara
Sukhjinder Singh Khara
Paresh Kumar Mehta
Renganathan Ramamoorthy

The director who retires by rotation is Sukhjinder Singh Khara who, being eligible, offers himself for re-election.

Management of financial risks

The group's policy in respect of interest rate risk and liquidity risk is to maintain external bank financing at variable rates of interest all denoted in sterling and invoice discounting, overdraft and other short term facilities to ensure the group has sufficient funds for operations.

The group does not carry out hedge accounting, but does use forward contracts to minimise its exposure to currency risk.

The group is exposed to price risk in relation to its oil purchases. This risk is managed through close relationships with key suppliers.

Credit risk is managed through regular credit checks with major customers and regular monitoring of customers credit worthiness.

Employment of disabled persons

The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the group. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the group.

Employee involvement

The flow of information to staff has been maintained. Members of the management team regularly discuss matters of current interest and concern to the business with members of staff.

Qualifying third party indemnity provisions

Third party indemnity cover for the Directors was in force during the financial year and at the year end.

KTC (Edibles) Limited

Directors' report for the year ended 31 December 2019 (continued)

Post balance sheet events

Post year end saw the outbreak of the Covid-19 pandemic. The impact of COVID-19 is a non-adjusting post balance sheet event.

Our business has not stopped manufacturing and distributing over Q2. We are fortunate of being able to continually replenish and distribute the majority of our essential ingredients we service to all customers and have played an important role in supporting all consumers and essential workers.

The directors have carefully considered if the outbreak would result in changes to the recognition or measurement of assets and liabilities recognised in the statement of financial position and are satisfied that there are no material changes to the position reported that should be disclosed.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This report was approved by the board on 1st September 2020 and signed on its behalf.


Sukhjinder Singh Khara
Chairman

KTC (Edibles) Limited

Statement of Directors' responsibilities for the year ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KTC (Edibles) Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF KTC (EDIBLES) LIMITED

Opinion

We have audited the financial statements of KTC (Edibles) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and Consolidated statement of cash flows, and the notes to the financial statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this other information, we are required to report that fact.

We have nothing to report in this regard.

KTC (Edibles) Limited

Independent auditor's report (*continued*)

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 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

KTC (Edibles) Limited

Independent auditor's report (*continued*)

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
17 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

KTC (Edibles) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	290,326,476	266,198,958
Change in stocks of finished goods and work in progress		318,966	2,205,500
Raw materials and consumables		(248,200,902)	(232,455,819)
Other external charges		(12,808,980)	(12,108,620)
Staff costs		(9,763,385)	(8,070,784)
Depreciation and amortisation		(1,844,250)	(1,741,649)
Other operating charges		(10,999,022)	(9,967,056)
Operating profit	7	7,028,903	4,060,530
Interest payable and expenses	8	(655,442)	(617,293)
Profit before tax		6,373,461	3,443,237
Tax on profit	9	(1,085,987)	(761,871)
Profit for the year		5,267,474	2,681,366

There was no other comprehensive income for 2019 or 2018. All amounts derive from continuing activities.

The notes on pages 16 to 35 form part of these financial statements.

KTC (Edibles) Limited

Consolidated statement of financial position as at 31 December 2019

Company number 01433723	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		33,400		43,000
Tangible assets	12		21,238,781		19,934,013
Investments			-		-
			21,272,181		19,977,013
Current assets					
Stocks	14	13,506,273		13,305,500	
Debtors	15	48,044,320		42,341,943	
Cash at bank and in hand		678,298		416,256	
		62,228,892		56,063,699	
Creditors: amounts falling due within one year	16	(55,599,524)		(52,267,332)	
Net current assets			6,629,369		3,796,367
Total assets less current liabilities			27,901,550		23,773,380
Creditors: amounts falling due after more than one year	16		(5,188,955)		(6,014,163)
Provisions for liabilities					
Deferred tax	19		(467,456)		(481,522)
Net assets			22,245,139		17,277,695
Capital and reserves					
Called up share capital	21		202,222		202,222
Revaluation reserve	22		2,167,727		2,193,858
Capital redemption reserve	22		30,006		30,006
Profit and loss account	22		19,845,184		14,851,609
Shareholders' funds			22,245,139		17,277,695

The financial statements were approved by the Board of Directors and authorised for issue on 11/9/20


Sukhjinder Singh Khara
Chairman

The notes on pages 16 to 35 form part of these financial statements.

KTC (Edibles) Limited

Company statement of financial position as at 31 December 2019

Company number 01433723	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		33,400		43,000
Tangible assets	12		19,663,910		19,934,013
Fixed asset investments	13		1,800,000		
			<u>21,497,310</u>		<u>19,977,013</u>
Current assets					
Stocks	14	13,062,385		13,305,500	
Debtors	15	47,105,815		42,341,943	
Cash at bank and in hand		522,842		416,256	
		<u>60,691,043</u>		<u>56,063,699</u>	
Creditors: amounts falling due within one year	16	(54,545,063)		(52,267,332)	
Net current assets			<u>6,145,981</u>		<u>3,796,367</u>
Total assets less current liabilities			<u>27,643,291</u>		<u>23,773,380</u>
Creditors: amounts falling due after more than one year	17		(5,097,664)		(6,014,163)
Provisions for liabilities					
Deferred tax	19		(467,456)		(481,522)
Net assets			<u>22,078,171</u>		<u>17,277,695</u>
Capital and reserves					
Called up share capital	21		202,222		202,222
Revaluation reserve	22		2,167,727		2,193,858
Capital redemption reserve	22		30,006		30,006
Profit and loss account	22		19,678,216		14,851,609
Shareholders' funds			<u>22,078,171</u>		<u>17,277,695</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the period was £5,100,506 (2018 - £2,681,366).

The financial statements were approved by the Board of Directors and authorised for issue on 11/9/20


Sukhjinder Singh Khara
Chairman

The notes on pages 16 to 35 form part of these financial statements.

KTC (Edibles) Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserve £	Total equity £
At 1 January 2019	202,222	2,193,858	30,006	14,851,609	17,277,695
Comprehensive income for the year					
Profit for the year	-	-	-	5,267,474	5,267,474
Total comprehensive income for the year	-	-	-	5,267,474	5,267,474
Contributions by and distribution to owners					
Dividends: Equity capital	-	-	-	(300,030)	(300,030)
Transfer to the profit and loss reserve	-	(26,131)	-	26,131	-
Total transactions with owners	-	(26,131)	-	(273,899)	(300,030)
At 31 December 2019	202,222	2,167,727	30,006	19,845,184	22,245,139

	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss Reserve £	Total Equity £
At 1 January 2018	202,222	2,219,989	30,006	12,693,761	15,145,978
Comprehensive income for the year					
Profit for the year	-	-	-	2,681,366	2,681,366
Total comprehensive income for the year	-	-	-	2,681,366	2,681,366
Contributions by and distribution to owners					
Dividends: Equity capital	-	-	-	(549,649)	(549,649)
Transfer to the profit and loss reserve	-	(26,131)	-	26,131	-
Total transactions with owners	-	(26,131)	-	(523,518)	(549,649)
At 31 December 2018	202,222	2,193,858	30,006	14,851,609	17,277,695

The notes on pages 16 to 35 form part of these financial statements.

KTC (Edibles) Limited

Company statement of changes in equity for the year ended 31 December 2019

	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserve £	Total equity £
At 1 January 2019	202,222	2,193,858	30,006	14,851,609	17,277,695
Comprehensive income for the year					
Profit for the year	-	-	-	5,100,506	5,100,506
Total comprehensive income for the year	-	-	-	5,100,506	5,100,506
Contributions by and distribution to owners					
Dividends: Equity capital	-	-	-	(300,030)	(300,030)
Transfer to the profit and loss reserve	-	(26,131)	-	26,131	-
Total transactions with owners	-	(26,131)	-	(273,899)	(300,030)
At 31 December 2019	202,222	2,167,727	30,006	19,678,216	22,078,171

	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserve £	Total equity £
At 1 January 2018	202,222	2,219,989	30,006	12,693,761	15,145,978
Comprehensive income for the year					
Profit for the year	-	-	-	2,681,366	2,681,366
Total comprehensive income for the year	-	-	-	2,681,366	2,681,366
Contributions by and distribution to owners					
Dividends: Equity capital	-	-	-	(549,649)	(549,649)
Transfer to the profit and loss reserve	-	(26,131)	-	26,131	-
Total transactions with owners	-	(26,131)	-	(523,518)	(549,649)
At 31 December 2018	202,222	2,193,858	30,006	14,851,609	17,277,695

The notes on pages 16 to 35 form part of these financial statements.

KTC (Edibles) Limited

Consolidated statement of cash flows for the year ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	5,267,474	2,681,366
Adjustments for:		
Amortisation of intangible assets	(170,578)	7,000
Depreciation of tangible assets	2,014,650	1,741,649
Profit on disposal of tangible assets	-	-
Interest paid	655,442	617,293
Taxation	1,105,987	761,871
Decrease/(increase) in stocks	167,264	(2,205,500)
Decrease/(increase) in debtors	(4,677,488)	1,153,544
Increase in creditors	1,658,036	391,667
Corporation tax paid	(1,031,103)	(663,525)
Net cash generated from operating activities	4,989,684	4,485,365
Cash flows from investing activities		
Purchases of intangible fixed assets	-	(50,000)
Purchases of tangible fixed assets	(1,958,847)	(1,348,570)
Proceeds from sale of tangible fixed assets	205,683	56,433
Purchase of subsidiary undertaking (net of cash acquired)	(2,052,329)	-
Net cash from investing activities	(3,805,493)	(1,342,137)
Cash flows from financing activities		
New secured loans	-	-
Repayment of loans	(215,805)	(212,248)
Repayment of finance leases	(738,650)	(769,721)
Dividends paid	(300,030)	(549,649)
Interest paid	(655,442)	(617,293)
Shares repurchased	-	-
Net cash used in financing activities	(1,909,927)	(2,148,911)
Net movement in cash and cash equivalents	(725,736)	994,317
Cash and cash equivalents at beginning of year	(26,209,841)	(27,204,158)
Cash and cash equivalents at the end of the year	(26,935,577)	(26,209,841)
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	678,298	416,256
Bank overdrafts and other short term facilities	(27,613,875)	(26,626,097)
	(26,935,577)	(26,209,841)

KTC (Edibles) Limited

Consolidated Analysis of Net Debt for the year ended 31 December 2019

Net debt reconciliation

	At 1 January 2019 £	Cash flows £	Acquisition of subsidiary £	At 31 December 2019 £
Cash in bank and in hand	416,256	1,911,773	(1,649,731)	678,298
Bank overdrafts	(26,626,097)	(585,180)	(402,598)	(27,613,875)
	<u>(26,209,841)</u>	<u>1,326,593</u>	<u>(2,052,329)</u>	<u>(26,935,577)</u>
Bank loans	(4,138,860)	215,805	(93,495)	(4,016,550)
Obligations under finance leases	(2,788,877)	738,650	(16,452)	(2,066,677)
	<u>(6,927,737)</u>	<u>974,455</u>	<u>(109,947)</u>	<u>(6,083,227)</u>
	<u>(33,137,578)</u>	<u>2,301,048</u>	<u>(2,162,276)</u>	<u>(33,018,804)</u>

The notes on pages 16 to 35 form part of these financial statements.

KTC (Edibles) Limited

Notes forming part of the financial statements for the year ended 31 December 2019

1 Company Information

KTC (Edibles) Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page. The principle activities of KTC are the distribution of containers of high quality cooking oils to all sectors of the food industry. KTC is also known for its broad range of world food products, sourced from around the globe and distributed to manufacturers, retailers and wholesalers in the UK and worldwide.

2 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings, which have been transitioned to FRS 102 at deemed cost, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

These financial statements are presented in Pound sterling (£) which is the group's functional currency.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies (see note 3).

Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

The following principal accounting policies have been applied:

Going concern

At the time of approval of the financial statements there are unprecedented levels of economic uncertainty related to the impact of COVID-19 on all businesses including the Group and Company.

The directors have produced detailed forecasts to 31 December 2020 and projections to December 2021. As explained in the strategic report as the entire economy is affected adversely by Covid-19, the group is also affected but to a limited extent. The Group and Company deals in the products which are in the essential food sector and has remained profitable and cash generative throughout the lockdown period.

It is an uncertain time and the directors have considered various scenarios in light of Covid-19 which take account of possible changes in trading performance and show that the group is expected to continue to generate profits and operate within the level of its current working capital facilities agreed with bankers. The working capital facilities are due to review within the going concern assessment period, however, given the nature of the facilities the directors are satisfied that there is a remote risk that the facilities will not be renewed and in the event that they were, the directors are confident that similar facilities could be obtained from an alternative funding provider within the notice period. These projections and forecasts are monitored on a monthly basis by the Board against actual trading performance.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern (continued)

In light of the experience of trading to date through the Covid-19 outbreak the directors are confident in the forecasts for the business in terms of ongoing demand, source of supply and productive ability and in the short and long term liquidity. The directors are satisfied that scenarios that could result in the business not being a going concern are considered remote.

After making enquiries, and considering the matters described above for a period of 12 months post approval of the accounts, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual reports and accounts.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer; which is typically on delivery of goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;

the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical or deemed cost less accumulated depreciation and any accumulated impairment losses. The group has taken advantage of the transitional rules under FRS 102 to include previously revalued assets at the date of transition at the revalued amount less accumulated depreciation and treat that amount as the assets deemed cost. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Assets in the course of construction are not depreciated until the asset is available to be used by the business at which stage the asset is re-categorised under one of the below headings and depreciation is commenced.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tangible fixed assets

Depreciation is provided on the following basis:

Buildings	-	1% p.a. straight line
Plant and machinery	-	10% p.a. straight line
Motor vehicles	-	25% p.a. straight line
Office equipment	-	20% p.a. straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating charges' in the Statement of Comprehensive Income.

Where depreciation charges are increased following a revaluation, an amount equal to the increase in depreciation is transferred annually from the revaluation reserve to the profit and loss reserve as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss reserve as a movement on reserves.

Impairment of fixed assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Debtors

Short term debtors are measured at transaction price, less any impairment.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Financial Instruments

With the exception of derivative forward contracts, the Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. 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, if they are significant. The group does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

KTC (Edibles) Limited

**Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)**

2 Accounting policies (continued)

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

Foreign currency translation

Functional and presentation currency

The group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating charges or income'.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to FRS 102 to continue to be charged over the period to the first market rent review rather than the term of the lease.

Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward of future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

KTC (Edibles) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3 Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether expenditure on existing assets represents an improvement to be capitalised or a repair which is taken directly to profit and loss. The expenditure is capitalised when it enhances the assets capacity and represents incremental future benefits to the group.

Other key sources of estimation uncertainty

Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values..

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

3 Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Trade debtors (see note 14)

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised immediately in the income statement.

Stock (see note 13)

At each reporting date, stock balances are assessed the stock value is less than the net realisable value of the product. Stock is valued at the purchase price plus an estimated apportionment of the overhead incurred in bringing the stock into a saleable position. Where stock values exceed the net realisable value, provision is made against the stock and recognised in the income statement.

4 Turnover

	2019 £	2018 £
Analysis of turnover by country of destination:		
United Kingdom	279,632,776	255,905,500
Rest of Europe	9,144,849	8,574,076
Rest of the world	1,548,851	1,719,382
	<u>290,326,475</u>	<u>266,198,958</u>

Turnover is wholly attributable to the principal activity of the group.

5 Employees

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Staff costs were as follows:				
Wages and salaries	8,780,719	7,319,489	8,452,785	7,319,489
Social security costs	784,341	629,316	747,904	629,316
Other pension	198,325	121,979	191,078	121,979
	<u>9,763,385</u>	<u>8,070,784</u>	<u>9,391,767</u>	<u>8,070,784</u>
The average number of employees, including directors, during the year was as follows:	Group 2019 Number	Group 2018 Number	Company 2019 Number	Company 2018 Number
Production	407	270	367	270
Sales	14	14	13	14
Administration	40	43	36	43
	<u>461</u>	<u>327</u>	<u>416</u>	<u>327</u>

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

6 Directors' remuneration

	2019 £	2018 £
Directors' emoluments	513,665	336,989
Group contributions to defined contribution pension schemes	4,108	2,823
	<u>517,773</u>	<u>339,812</u>

During the year retirement benefits were accruing to 3 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £177,114 (2018 - £101,906).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,045 (2018 - £Nil).

7 Operating profit

	2019 £	2018 £
This has been arrived at after charging/crediting:		
Depreciation of tangible fixed assets	1,984,428	1,741,649
Amortisation of intangible assets	(170,578)	7,000
Hire of other assets - operating leases	393,193	739,777
Fees payable to the group's auditor and its associates:		
- for the audit of the group's annual financial statements	33,375	27,500
- other services	4,375	4,100
Exchange differences	77	-
	<u>1,984,428</u>	<u>1,741,649</u>

8 Interest payable and similar charges

	2019 £	2018 £
Bank interest payable	497,976	458,713
Other loan interest payable	81,962	76,072
Finance leases and hire purchase contracts	75,504	82,508
	<u>655,442</u>	<u>617,293</u>

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

9 Tax on profit

	2019 £	2018 £
<i>Corporation tax</i>		
Current tax on profits for the year	1,086,535	680,659
Adjustment in respect of previous periods	33,519	(82,361)
	<hr/>	<hr/>
Total current tax	1,120,054	598,298
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	104,855	148,722
Adjustment in respect of previous periods	(119,922)	14,851
Changes to tax rates		-
	<hr/>	<hr/>
Total deferred tax	(14,067)	163,573
	<hr/>	<hr/>
Taxation on profit on ordinary activities	1,105,987	761,871
	<hr/>	<hr/>

The tax assessed for the year is higher than (2018 – higher than) the standard rate of corporation tax in the UK of % (2018 – 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	6,206,493	3,443,237
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,179,234	654,215
Effects of:		
Fixed asset timing differences	17,454	180,961
Expenses not deductible for tax purposes	8,156	11,702
Adjustments to tax charge in respect of prior periods	33,519	(82,361)
Adjustments in respect of prior periods - deferred tax	(119,922)	14,851
Other		(17,497)
	<hr/>	<hr/>
Total tax charge for the year	1,105,987	761,871
	<hr/>	<hr/>

Factors that may affect future tax charges

Subject to agreement by HM Inspector of taxes there are no tax losses in 2019 (2018 - Nil) available against future trading profits.

A number of changes to the UK corporation tax system were announced in the July 2015 Budget, including that the main rate of corporation tax would reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The Chancellor then further announced in the 16 March 2016 budget that the rate from 1 April 2020 will be 17% instead and this has now been substantially enacted on 15 September 2016. This will reduce the group's future current tax accordingly. Deferred tax has been calculated using the substantively enacted rates at the year end.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

10 Dividends

	2019 £	2018 £
Dividend paid of £1.48 (2018 - £2.72) per share	300,030	549,649

11 Intangible fixed assets

Group	Trademarks £	Goodwill £	Total £
<i>Cost</i>			
At 1 January 2019	57,500	-	57,500
Movement during the year	-	(180,178)	(180,178)
At 31 December 2019	57,500	(180,178)	(122,678)
<i>Amortisation</i>			
At 1 January 2019	14,500	-	14,500
Charge for the year	9,600	(180,178)	(170,578)
At 31 December 2019	24,100	(180,178)	(156,078)
<i>Net book value</i>			
At 31 December 2019	33,400	-	33,400
At 31 December 2018	43,000	-	43,000

The negative goodwill arising on acquisition was amortised in full in the year, on the grounds of materiality.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

12 Tangible assets

Group	Freehold land and buildings £	Leasehold improvement £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Assets under construction £	Total £
<i>Cost or valuation</i>								
At 1 January 2019	11,535,501	84,629	23,520,007	59,224	5,403,914	788,410	5,549	41,397,234
Additions	-	-	1,077,988	-	777,167	15,676	88,016	1,958,847
Acquisition of subsidiary	798,567	-	767,687	-	-	-	-	1,566,254
Disposals	-	-	(60,915)	-	(452,814)	-	-	(513,729)
Transfers	-	-	-	-	-	-	-	-
At 31 December 2019	12,334,068	84,629	24,466,463	59,224	5,728,267	834,703	93,565	44,368,806
<i>Depreciation</i>								
At 1 January 2019	883,249	17,802	15,572,614	9,910	4,278,321	701,325	-	21,463,221
Charge owned for the year	90,600	8,464	1,295,461	4,736	577,990	37,399	-	2,014,650
Disposals	-	-	(1,523)	-	(306,523)	-	-	(308,046)
At 31 December 2019	973,849	26,266	16,866,552	14,646	4,549,788	738,724	-	23,169,825
<i>Net book value</i>								
At 31 December 2019	11,380,219	58,363	8,438,215	44,578	1,178,479	65,362	93,565	21,238,781
At 31 December 2018	10,652,252	66,827	7,947,393	49,314	1,125,593	87,085	5,549	19,934,013

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

12 Tangible assets (continued)

Company	Freehold land and buildings £	Leasehold improvement £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Assets under construction £	Total £
<i>Cost or valuation</i>								
At 1 January 2019	11,535,501	84,629	23,520,007	59,224	5,403,914	788,410	5,549	41,397,234
Additions	-	-	1,007,371	-	777,167	15,676	88,016	1,888,230
Disposals	-	-	(60,915)	-	(452,814)	-	-	(513,729)
Transfers	-	-	-	-	-	-	-	-
At 31 December 2019	11,535,501	84,629	24,466,463	59,224	5,728,267	804,086	93,565	42,771,735
<i>Depreciation</i>								
At 1 January 2019	883,249	17,802	15,572,614	9,910	4,278,321	701,325	-	21,463,221
Charge owned for the year	83,400	8,464	1,240,661	4,736	577,990	37,399	-	1,952,650
Disposals	-	-	(1,523)	-	(306,523)	-	-	(308,046)
At 31 December 2019	966,649	26,266	16,811,752	14,646	4,549,788	738,724	-	23,107,825
<i>Net book value</i>								
At 31 December 2019	10,568,852	58,363	7,654,711	44,578	1,178,479	65,362	93,565	19,663,910
At 31 December 2018	10,652,252	66,827	7,947,393	49,314	1,125,593	87,085	5,549	19,934,013

KTC (Edibles) Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

12 Tangible assets (continued)

The net book value of tangible fixed assets for the group includes an amount of £3,164,584 (2018 - £3,633,294) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £468,710 (2018 - £412,412).

The directors have assessed the carrying value of tangible fixed assets and consider no impairment is required.

Included within land and buildings is freehold land of £3,268,676 (2018 - £3,268,676) which is not depreciated.

If the land and buildings had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historic cost	6,395,585	5,395,585
Accumulated depreciation	327,520	(381,476)
	<u>6,068,065</u>	<u>5,014,109</u>

13 Fixed asset investment

Name	Class of shares	Holding	Principal activity
Piquant Limited	Ordinary	100%	Manufacturing of condiments and mayonnaise

The registered office address of the subsidiary is Piquant House, Willenhall Lane, Bloxwich, Walsall, WS3 2XN.

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	-
Additions	1,800,000
	<u>1,800,000</u>
At 31 December 2019	<u>1,800,000</u>

The directors consider that the subsidiary company is entitled to exemption from audit under section 479A of the Companies Act 2006. The members have not required the subsidiary company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

14 Stocks	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Raw materials and consumables	5,477,550	6,204,831	5,477,550	6,204,831
Finished goods and goods for resale	8,028,723	7,100,669	7,584,835	7,100,669
	<u>13,506,273</u>	<u>13,305,500</u>	<u>13,062,385</u>	<u>13,305,500</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

Stock write offs and provisions during the year was an expense of £85,308 (2018 - £48,318).

15 Debtors	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	45,185,888	39,700,333	44,419,554	39,700,333
Other debtors	2,231,456	492,686	2,126,846	492,686
Called up share capital not paid	22,222	22,222	22,222	22,222
Prepayments and accrued income	604,754	2,126,702	537,193	2,126,702
	<u>48,044,320</u>	<u>42,341,943</u>	<u>47,105,815</u>	<u>42,341,943</u>

All amounts shown under debtors fall due for payment within one year.

Impairments of debtors to the income statement during the period amount to £506,387 (2018 - £187,413).

Provisions held at year end relating to bad debts amount to £1,038,023 (2018 - £768,231).

16 Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank overdrafts, invoice discounting and other short term facilities	27,613,875	26,626,097	27,130,581	26,626,097
Bank loans	189,722	187,180	189,722	187,180
Trade creditors	20,209,669	20,703,393	19,892,603	20,703,393
Corporation tax	458,483	242,863	331,814	242,863
Taxation and social security	22,913	161,496	-	161,496
Obligations under finance lease and hire purchase contracts	704,551	726,394	700,356	726,394
Accruals and deferred income	6,400,310	3,619,910	6,299,916	3,619,910
	<u>55,599,524</u>	<u>52,267,332</u>	<u>54,545,063</u>	<u>52,267,332</u>

See note 17 for detail of securities over borrowings.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

17 Creditors: amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	3,826,828	3,951,680	3,735,537	3,951,680
Net obligations under finance leases and hire purchase contracts	1,362,127	2,062,483	1,362,127	2,062,483
	<u>5,188,955</u>	<u>6,014,163</u>	<u>5,097,664</u>	<u>6,014,163</u>

Secured loans

One bank loan with a year-end balance of £2,208,324 (2018 - £2,333,328) is repayable over a term of fifteen years from 2014. A second bank loan with a year-end balance of £1,716,935 (2018 - £1,805,533) is repayable over a term of twenty years from 2018.

Interest on the bank loans held at year end is charged between 1.35% - 2.5% per annum over the bank's sterling base rate published from time to time.

All bank borrowings and facilities are secured by debentures over the group's assets, incorporating charges over the group's freehold properties, trade debtors and stock.

Finance leases

Finance leases are secured on the assets to which they relate. The ageing profile of finance leases is shown in note 18.

18 Borrowings

Analysis of the maturity of loans is given below:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts falling due within one year:				
Bank loans	<u>189,722</u>	<u>187,180</u>	<u>189,722</u>	<u>187,180</u>
Amounts falling due 1-2 years				
Bank loans	<u>283,590</u>	<u>189,722</u>	<u>192,299</u>	<u>189,722</u>
Amounts falling due 2-5 years				
Bank loans	<u>592,714</u>	<u>584,770</u>	<u>592,714</u>	<u>584,770</u>
Amounts falling due after more than 5 years				
Bank loans	<u>2,950,524</u>	<u>3,177,189</u>	<u>2,950,524</u>	<u>3,177,189</u>

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

18 Borrowings (*continued*)

Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Within one year	704,551	726,394	700,356	726,394
Between 1-2 years	664,796	700,356	664,796	700,356
Between 2-5 years	697,332	1,362,127	697,332	1,362,127
Over 5 years	-	-	-	-
	<u>2,066,678</u>	<u>2,788,877</u>	<u>2,062,483</u>	<u>2,788,877</u>

19 Provisions for liabilities

	Group and Company Deferred tax £	
At 1 January 2019		481,522
Charge to profit and loss account		(14,067)
		<hr/>
At 31 December 2019		467,455
		<hr/> <hr/>
The provision for deferred taxation is made up as follows:		
	2019 £	2018 £
Fixed asset timing differences	467,455	(481,522)
	<hr/>	<hr/>
	467,455	(481,522)

20 Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £191,078 (2018 - £121,979). There are pension contributions of £Nil (2018 - £Nil) outstanding at the year end included in the balance sheet.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (*continued*)

21 Share capital

	2019 £	2018 £
Allotted and called up		
180,000 ordinary shares of £1 each	180,000	180,000
22,222 ordinary shares of £1 each	22,222	22,222
	<hr/>	<hr/>
	202,222	202,222
	<hr/>	<hr/>

On 18 December 2009, the company issued 22,222 ordinary shares of £1 each. These shares were unpaid as at 31 December 2019.

KTC (Edibles) Limited has the right to call upon this unpaid share capital but to date KTC (Edibles) Limited has not exercised this right and the amount is included as a debtor in note 15.

22 Reserves

The company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Revaluation reserve

The revaluation reserve represents the cumulative unrealised gains on assets held at deemed cost on transition to FRS102, net of the associated deferred tax.

Capital redemption reserve

The reserve relates to capital redemption and contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

23 Business combinations

Acquisition of Piquant Limited

On 19 August 2019 the group acquired 100% of Piquant Limited, a manufacturing company which distributes mayonnaise and other exotic dips in retail and individual packs for restaurants and catering outlets, for £1,800,000 paid in cash.

In calculating the goodwill arising on acquisition, the fair value of net assets of Piquant Limited have been assessed and adjustments from book value have been made where necessary.

	Book value £	Fair value adjustments £	Fair value £
Intangible fixed assets	-	-	-
Fixed assets	1,566,254	-	1,566,254
Stocks	368,037	-	368,037
Debtors	1,024,889	-	1,024,889
Cash	150,269	-	150,269
Bank overdraft	(402,598)	-	(402,598)
Creditors (due <1 year)	(726,623)	-	(726,623)
Net assets	1,980,178	-	1,980,178
Gain on bargain purchase (note 11)			(180,178)
Total Purchase Consideration			1,800,000
<i>Cash flow on acquisition</i>			£
Cash consideration			(1,800,000)
Cash and cash equivalents in subsidiary acquired			(252,329)
Cash out flow on acquisition			(2,052,329)

24 Commitments under operating leases

As at 31 December 2019, the group and company had future annual commitments under non-cancellable operating leases as set out below:

	Group and Company 2019 £	Group and Company 2018 £
Not later than 1 year	215,000	215,000
Later than 1 year and not later than 5 years	860,000	860,000
Later than 5 years	860,000	1,075,000
	1,935,000	2,150,000

KTC (Edibles) Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

25 Other related party transactions

Related party transactions and balances

Messrs Santokh S Khera and Sukhjinder S Khera are between them directors and substantial beneficial shareholders of the following related companies:

Piquant Limited
Primegreen Properties Limited

A close family member of a member of key management personnel of KTC (Edibles) Limited is a director and substantial beneficial shareholder of the following related company:

Openthorpe Engineering Limited

Transactions and balances with related parties were as follows:

	Sales and recharges of shared expenses £	Purchases and charges of overheads £	Amounts owed by related parties £	Amounts owed to related parties £
2019				
Transactions	-	3,043,957	1,124,763	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018				
Transactions	809,686	2,858,700	686,495	20,304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 Post balance sheet events

Post year end saw the outbreak of the Covid-19 pandemic. The impact of COVID-19 is a non-adjusting post balance sheet event.

Our business has not stopped manufacturing and distributing over Q2. We are fortunate of being able to continually replenish and distribute the majority of our essential ingredients we service to all customers and have played an important role in supporting all consumers and essential workers.

The directors have carefully considered if the outbreak would result in changes to the recognition or measurement of assets and liabilities recognised in the statement of financial position and are satisfied that that there are no material changes to the position reported that should be disclosed.