

Registered number: 5486353

KIRIL MISCHEFF (TRADING) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019



KIRIL MISCHEFF (TRADING) LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Directors	RAR Mischeff JI Bowler AV Charlton (resigned 30 April 2019) C Green MKL Jackson IR Marlow DA Mirchev WRS Neill A Smith
Company secretary	A Smith
Registered number	5486353
Registered office	Broadwall House 21 Broadwall London SE1 9PL
Independent auditor	KPMG LLP Chartered Accountants 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Bankers	Royal Bank of Scotland plc 250 Bishopgate London EC2M 4AA
Solicitors	3volution Limited 10 South Parade Leeds LD1 5QS

KIRIL MISCHEFF (TRADING) LIMITED

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KIRIL MISCHEFF (TRADING) LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Principal activities

The company is the parent company of Kiril Mischeff Limited and the holding company of the Kiril Mischeff Group of companies.

The principal activities of the Group continue to be the importing, processing, packaging and distribution of food products, food products broking and trading, shipping and forwarding and the provision of serviced office facilities.

Business model

The Group procures food products and food ingredients from suppliers across the world to provide high quality products to a range of users to both the United Kingdom and overseas. These users cover a wide spectrum of industries including food manufacture, food service and food retail.

We strive to provide the highest level of service to our customers and suppliers and our offering provides first rate expertise to both parties in the form of food technical knowledge to ensure the customer can be sure of the quality of its supplies.

Relationships with our suppliers and customers are seen as paramount to ensure our mutual businesses thrive and grow. We source products from multiple suppliers, all of which have been internally approved and meet the company's high standard of suitability, to ensure continuity of supply and a wide range of product offerings.

Business review and results

Turnover increased marginally during the year by 0.4% standing at £181.6m. Cash margin generated during the year was £10.9m an increase of 1.6% compared with last year. Gross profit percentage for the group remained static at 6.0%

Key performance indicators

The Group adopts a variety of key performance indicators ("KPI's) to monitor its performance. The principle KPI's are sales and margin reports and divisional and company profit & loss accounts. The Group reviews stock levels on a weekly basis versus stock target levels and cash is monitored daily and forecast on a weekly basis.

In order to upkeep its aim of delivering excellent service levels the Group also monitors the level of unfulfilled orders on a weekly basis and investigates out of stock occurrences.

The use of these KPI's enables management to ensure service levels are maintained and that products can be assessed for profitability on a line-by-line basis.

Principal risks and uncertainties

The Group is subject to exchange rate fluctuations as the majority of products are imported. To manage this risk the Board adopts a system of fixing the exchange rate on contracted purchases at the time of securing the contract.

The Group is obliged to honour its supply contracts to customers. Accordingly to provide certainty of supply the Group sources from multiple suppliers worldwide whenever possible.

Interest rate fluctuations are a risk to the Group which is managed by the use of tight working capital management.

Uncertainty exists with regards to the UK's pending departure from the European Union. The Group however sources its products worldwide so is capable of switching suppliers from alternative countries both inside and outside the European Union.

KIRIL MISCHEFF (TRADING) LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

Covid-19

On 20th March 2020 the UK Government announced that all UK restaurants and hospitality venues were to close as a result of the need to control the spread of the Covid-19 virus. This was followed on 23rd March 2020 by full lockdown in the UK.

As the principal activities of the Group are the supply of food and food ingredients, the operations of the Group continued throughout the lockdown period. From the Group's point of view, the supply of products to the Food Service sector was impacted the most as their own customer base was closed as a result of the lockdown. Sales to retail and to manufacturers to the retailers fared well as more consumers turned to cooking and eating at home.

The Group, its systems, and most importantly its employees, have shown great resilience during a period of immense uncertainty. The majority of employees started working from home shortly before the lockdown was announced in order to comply with the Government requests and operations continued as normal servicing customers through our valued storage and distribution partners.

The Governments' Coronavirus Job Retention Scheme, which facilitates the part payment of salaries and wages, was used to a limited extent by the Group in areas where the job role meant home working was not possible and where the volume of orders were reduced severely by the lockdown.

In order to ensure the Group had sufficient headroom to survive the crisis the Group arranged with its lenders additional borrowing facilities. That along with the absolute priority of managing working capital levels by driving down debtor days and reducing stock levels whilst continuing to pay our suppliers to agreed terms has meant that cashflow throughout the period of lockdown has been and continues to be at comfortable levels.

As the country exits lockdown the Board is confident that sales will steadily climb back to at least pre-crisis levels and is confident there is sufficient headroom in the Groups borrowing facility to enable the Group to take full advantage of any new growth opportunities..

Future developments

The Group operates in a very competitive environment and the current economic climate means that all companies which thrive have to operate with the most efficient cost base. Accordingly the Board believes margin pressures will continue from customers and suppliers.

However with an ever increasing worldwide population, food demands are increasing and consumer tastes changing, which means the volume and the range of food requirements continues to rise. The Board will strive to capitalise on this opportunity by sourcing new and exciting products from existing and new suppliers, whilst maintaining a tight rein on its cost base and working capital requirements.

This report was approved by the board on 24th June 2020 and signed on its behalf.



A Smith
Director

KIRIL MISCHEFF (TRADING) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their annual report and accounts together with the audited financial statements of the company and the Group for the year ended 30 September 2019.

The principal activities are discussed in detail in the strategic report.

Results and dividends

The profit for the year, after taxation, amounted to £2,264,000 (2018 - £1,715,000).

A dividend of £100,000 (2018 -£100,000) was paid during the year.

Directors

The directors who served during the year were as follows:

RAR Mischeff
JI Bowler
AV Charlton (resigned 30 April 2019)
C Green
MKL Jackson
IR Marlow
DA Mirchev
WRS Neill
A Smith

Political donations

The Company has not made any political donations during the year (2018: £Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 24th June 2020 and signed by order of the board.



A Smith
Secretary

Broadwall House
21 Broadwall
London
SE1 9PL

KIRIL MISCHEFF (TRADING) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors are responsible for preparing the Group 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 parent company and of their profit or loss for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operation, or have no alternatives but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRIL MISCHEFF (TRADING) LIMITED

Opinion

We have audited the financial statements of Kiril Mischeff (Trading) Limited ("the parent company") and its subsidiaries (the "Group") for the year ended 30 September 2019 which comprise the Group Profit and loss account and other comprehensive income, Group and Company Balance sheets, Group statement of cash flows, Group and Company Statement of changes in equity and related notes, including the accounting policies in note 2.

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 30 September 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.¹

The purpose of our audit work and to whom we owe our responsibilities

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.

Johnathan Pass (Senior statutory auditor)
for and on behalf of
KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
Date:

KIRIL MISCHEFF (TRADING) LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	181,623	180,960
Cost of sales		(170,644)	(170,178)
Gross profit		10,979	10,782
Distribution costs		(4,004)	(3,601)
Administrative expenses		(4,865)	(5,016)
Other operating income	5	12	11
Operating profit		2,122	2,176
Share of operating profit/(loss) in associates		6	(35)
Proceeds from disposal of investments		599	39
Interest payable	9	(34)	(116)
Profit before taxation		2,693	2,064
Tax on profit	10	(429)	(349)
Profit for the financial year		2,264	1,715
Effective portion of change in fair value of cash flow hedges	27	(993)	(106)
Other comprehensive loss for the year		(993)	(106)
Total comprehensive income for the year		1,271	1,609

The notes on pages 15 to 40 form part of these financial statements.

KIRIL MISCHEFF (TRADING) LIMITED
REGISTERED NUMBER: 5486353

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	12	9	1
Tangible assets	13	4,248	4,076
Investments	14	104	126
		<u>4,361</u>	<u>4,203</u>
Current assets			
Stocks	15	12,359	10,452
Debtors due after more than 1 year	16	331	283
Debtors: Amounts falling due less than 1 year	16	38,513	38,548
Cash at bank and in hand		2,155	1,909
		<u>53,358</u>	<u>51,192</u>
Creditors: amounts falling due within one year	17	(45,347)	(45,393)
Net current assets		<u>8,011</u>	<u>5,799</u>
Total assets less current liabilities		<u>12,372</u>	<u>10,002</u>
Creditors: amounts falling due after more than one year	18	(474)	(476)
Other provisions	20	(2,248)	-
		<u>(2,248)</u>	<u>-</u>
Net assets		<u><u>9,650</u></u>	<u><u>9,526</u></u>
Capital and reserves			
Called up share capital	21	37	39
Share premium account		12	12
Capital redemption reserve		21	19
Cashflow hedge reserve	27	(993)	(106)
Profit and loss account		10,573	9,562
		<u><u>9,650</u></u>	<u><u>9,526</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

24th June 2020


A Smith
 Director

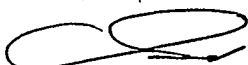
The notes on pages 15 to 40 form part of these financial statements.

KIRIL MISCHEFF (TRADING) LIMITED
REGISTERED NUMBER: 5486353

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	14	670	670
		<u>670</u>	<u>670</u>
Current assets			
Debtors	16	-	401
		<u>-</u>	<u>401</u>
Creditors: amounts falling due within one year	17	(519)	(26)
		<u>(519)</u>	<u>(26)</u>
Net current (liabilities)/assets		(519)	375
Total assets less current liabilities		151	1,045
		<u>151</u>	<u>1,045</u>
Net assets		151	1,045
		<u>151</u>	<u>1,045</u>
Capital and reserves			
Called up share capital	21	37	39
Share premium account		12	12
Capital redemption reserve		21	19
Profit and loss account		81	975
		<u>151</u>	<u>1,045</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
24th June 2020



A Smith
Director

The notes on pages 15 to 40 form part of these financial statements.

KIRIL MISCHEFF (TRADING) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 October 2018	39	12	19	(106)	9,562	9,526
Total comprehensive income for the year						
Profit for the year	-	-	-	-	2,264	2,264
Other comprehensive income	-	-	-	(993)	-	(993)
Other comprehensive income for the year	-	-	-	(993)	-	(993)
Total comprehensive income for the year	-	-	-	(993)	2,264	1,271
Dividends payable	-	-	-	-	(100)	(100)
Cash flow hedge movement	-	-	-	106	-	106
Shares redeemed during the year	(2)	-	2	-	(1,153)	(1,153)
At 30 September 2019	37	12	21	(993)	10,573	9,650

KIRIL MISCHEFF (TRADING) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 October 2017	39	12	19	(736)	7,947	7,281
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,715	1,715
Other comprehensive income	-	-	-	(106)	-	(106)
Other comprehensive income for the year	-	-	-	(106)	-	(106)
Total comprehensive income for the year	-	-	-	(106)	1,715	1,609
Dividends payable	-	-	-	-	(100)	(100)
Cash flow hedge movement	-	-	-	736	-	736
At 30 September 2018	39	12	19	(106)	9,562	9,526

The notes on pages 15 to 40 form part of these financial statements.

KIRIL MISCHEFF (TRADING) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2018	39	12	19	975	1,045
Total comprehensive income for the year					
Profit for the year	-	-	-	359	359
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Contributions by and distributions to owners					
Dividends payable	-	-	-	(100)	(100)
Share reduction in year	(2)	-	2	(1,153)	(1,153)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	37	12	21	81	151
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2017	39	12	19	673	743
Total comprehensive income for the year					
Profit for the year	-	-	-	302	302
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2018	39	12	19	975	1,045
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 15 to 40 form part of these financial statements.

KIRIL MISCHEFF (TRADING) LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the financial year	2,264	1,715
Adjustments for:		
Share of operating loss in associates	(6)	35
Depreciation, amortisation and impairment	353	336
Profit on disposal of tangible assets	(13)	(38)
Taxation charge	429	350
(Increase) in stocks	(1,907)	(749)
(Increase)/decrease in debtors	30	(3,556)
(Decrease)/increase in creditors	(775)	2,788
Increase in provisions	2,248	-
Corporation tax (paid)	(437)	(422)
Net cash generated from operating activities	2,186	459
Cash flows from investing activities		
Purchase of tangible fixed assets	(535)	(788)
Sale of tangible fixed assets	15	64
Dividends paid	(100)	(100)
Repayment of loan from associate	27	30
Write down of investments	-	(39)
Net cash from investing activities	(593)	(833)
Cash flows from financing activities		
Loan (repayment) / advance	(2)	257
Repayment of borrowings	(368)	(308)
Share capital redemption	(1,153)	-
Capital element of hire purchase borrowings	-	7
Net cash used in financing activities	(1,523)	(44)
Net increase/(decrease) in cash and cash equivalents	70	(418)
Cash and cash equivalents at beginning of year	1,137	1,555
Cash and cash equivalents at the end of year	1,207	1,137
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,155	1,910
Bank overdrafts	(948)	(773)
	1,207	1,137

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. General information

Kiril Mischeff (Trading) Limited (the "company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 5486353 and the registered address is Broadwall House, 21 Broadwall, London, SE1 9PL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

No separate parent company Cash Flow Statement with related notes is included.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The group has access to an overdraft facility of £3,500,000 and invoice financing facility which has a limit of £12,000,000. There are no financial covenants attached to the overdraft facility. The overdraft facility is repayable on demand and invoice financing facility is subject to withdrawal with one month's notice. Both facilities are renewable annually and continue until further notice. Based on discussion with bankers, the directors consider that the company will have access to these facilities for at least the next 12 months from the date of approval of these financial statements. As at the date of this report, the Group overdraft facility and invoice financing facility are undrawn with a positive Group bank balance of £14,500,000.

The directors have prepared forecasts covering the period to 30 September 2021, taking into account the possible impact of COVID 19 on trading performance and have assessed the ability of the Group to meet its liabilities as they fall due in the 12 month period from the date of the approval of these financial statements. These forecasts reflect the director's plausible assumptions about the duration and extent of the impact of COVID-19 on trading performance, including a number of assumptions in relation to sales volume and discretionary spend category cost savings. The Group's post COVID-19 forecast assumes sales volume reductions of between 15% to 95%, depending on sector, for the period through to the end of September, with sales gradually increasing over the remainder of 2020, returning to pre-Covid-19 levels by January 2021, but with no further growth assumed (compared to the equivalent comparative period). In this scenario, the Group is expected to maintain sufficient liquidity throughout the forecast period, although liquidity headroom is sensitive to changes in the timing, rapidity and sustainability of the recovery.

KIRIL MISCHIEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

Whilst the Group's cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of sales volume and the director's ability to implement cost saving initiatives in areas of discretionary spend where required.

Due to the uncertainty over the duration and extent of the impact of COVID-19, the Directors have modelled a number of potential severe but plausible downside scenarios when preparing the forecasts. The scenarios considered include slower recovery from the impact of COVID-19 the occurrence of a second wave of COVID-19 in April 2021 which will lead to a decline in trade again similar to current levels. In each case, assumptions have been made around the timing, rapidity and sustainability of the recovery, accepting that there will be a significant impact on the business for the duration of the forecast period. Under the post COVID-19 forecast, recovery is expected to be gradual, it is assumed that there will be a gradual increase in revenue in the first quarter of 2021 and sales are only expected to build back to pre COVID-19 levels following three months to September 2021. In each scenario, mitigating actions within the control of management, including reductions in areas of discretionary spend, have been modelled. It is difficult to predict the overall outcome and impact of COVID-19 and the duration of disruption could be longer than anticipated. Under the severe but plausible downside scenario modelled and in the case that recovery is more gradual than expected and after allowing for the effect of mitigating actions within the control of management, the forecasts demonstrate that Group is expected to maintain sufficient liquidity throughout the forecast period.

It is difficult to predict the overall outcome and impact of COVID-19, but under all of the above scenario analysis, the Group has sufficient liquidity and resources throughout the period under review whilst still maintaining adequate headroom against overall facilities. The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of 12 months from the date of approval of these financial statements. Accordingly, the subsidiary financial statements have been prepared on a going concern basis.

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

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 following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30th September 2019. The results of subsidiary undertakings are included in the consolidated profit and loss account. All intra group transactions, balances, income and expenses are eliminated on consolidation.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.3 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary asset and liabilities that are measured in terms of historic cost in a foreign currency are translated using the exchange rate at the date of that transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

2.4 Clarification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group that are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that included an obligation to deliver a valuable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified take the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.5 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes recognised in the profit and loss. Other investments are measured at cost less impairment recognised in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For the cash flow hedges, where the financial transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in the profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged interest transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	- straight line over 50 years
Plant and equipment, fixtures and fittings	- straight line over 5 years
Motor vehicles	- straight line over 4 years

Revaluation

Investment properties and land are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

2.8 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is on the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

2.9 Investments in subsidiary undertakings

The cost of investments in subsidiary undertakings is recorded as cash paid and any further costs connected with the acquisition. Provision is made where necessary to reduce the carrying value of an investment to its estimated recoverable amount where in the opinion of the directors there has been an impairment.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.10 Investment in associated undertakings

An associate is an undertaking in which the Group has a long term interest and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

2.11 Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be seven years.

- The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.
- Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

2.12 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

No depreciation is provided in respect of investment properties applying the fair value model.

2.13 Stocks

Stocks are stated at lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.14 Impairment excluding stocks, investment properties and deferred tax assets.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill can be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2.15 Employee benefits

Defined contribution plans and other long term employee benefits

The company operates a defined contribution pension scheme. The pension costs charged to the profit and loss account are the premiums payable in accordance with the rules of the scheme in respect of the accounting period.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.16 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2.17 Turnover

Turnover represents amounts receivable for goods and services and net agency income from haulage, freight and rental services provided net of VAT.

Turnover on the sale of goods is recognised when substantially all of the risks and rewards in the product have passed to the customer, and substantially all of the Group's work is completed which is usually upon delivery to the customer, or his agent.

2.18 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit and loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which 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. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is not recognised when assets are revalued, unless, by the balance sheet date, the company has entered into a binding agreement to sell the assets and recognise the gains or losses expected to arise on sale. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.20 Related party disclosures

The company has adopted an accounting policy not to disclose related party transactions between the company, other group companies and associates.

2.21 Credit risk

The Group is exposed to credit risk to the extent of non-performance by its counterparties in respect of financial assets receivable. However, the Group has policies and procedures in place to ensure such risk is limited by placing credit limits on each counterparty. The Group regularly monitors such limits and defaults by counterparties, incorporating this information into credit risk controls. The Group does not currently hold any collateral to mitigate this exposure, however appropriate credit insurance is in place.

The maximum credit exposure to credit risk is limited to the carrying value of each asset.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Accounting policies (continued)

2.22 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

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 following principal accounting policies have been applied:

2.23 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet 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 (or cash-generating unit to which the asset has been allocated) 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 (or CGU'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 (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3. Accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Such estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period.

If the revision affects both current and future periods, the revision will impact both the period of the revision and future periods.

The directors consider that material estimates and judgements are applied in assessing the recoverable amount of trade debtors. The directors assess historic recovery rates and identify individual trade debtor balances that have passed their credit terms when assessing recoverable amount. Where individual balances are identified as past due the directors assess the balance on its own merits in assessing whether it is appropriate to recognise a bad debt or not against the balance."

The directors consider that material estimates and judgements are applied in assessing the net realisable value of stock. The directors assess stock ageing and historic stock turn information to identify slow moving stock lines that may be at risk of not being realised in excess of their carrying value. Specific items identified as slow moving are subject to provision where the directors assess, based on their experience, that the stock line will not be realised at its carrying value.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. Turnover

The total turnover of the group for the year has been derived from its principle activity. The Board has not presented a geographical analysis of turnover as it is deemed it will be prejudicial to the interests of the Group.

5. Other operating income

	2019 £000	2018 £000
External rental income	12	11
	<u>12</u>	<u>11</u>

6. Operating profit

The profit is after charging/(crediting):

	2019 £000	2018 £000
Depreciation of owned fixed assets	361	344
Amortisation of goodwill	(8)	(8)
Auditor's remuneration - audit services	52	47
Auditor's remuneration - other services	7	7
Operating lease charges - land and buildings	25	25
Profit on disposal of fixed assets	(13)	(37)
Net foreign exchange (gains)/losses	(38)	(129)
	<u>(38)</u>	<u>(129)</u>

7. Auditor's remuneration

Fees payable to the Group's auditor and its associates in respect of:

Audit of the group subsidiaries	52	47
Tax services	7	7
	<u>59</u>	<u>54</u>

Auditor's remuneration relating to the Company are nil (2018: £nil).

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

8. Staff costs

Group employee costs including directors during the year:

	2019 £000	2018 £000
Wages and salaries	5,352	5,252
Social security costs	671	618
Other pension costs	347	309
	6,370	6,179

The average number of employees of the group including directors during the year was:

	2019 No.	2018 No.
Office, management and trading	156	139
	156	139

	2019 £000	2018 £000
Directors' remuneration		
Salaries	2,086	2,776
Benefits in kind	101	110
Pension contributions	106	101
	2,293	2,987

There are seven (2018: seven) directors accruing pension benefits under money purchase schemes.

The remuneration of the highest paid director was as follows:

	2019 £000	2018 £000
Aggregate remuneration	699	713
	699	713

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

9. Interest payable

	2019	2018
	£000	£000
On bank overdrafts	34	116
	34	116

10. Taxation

	2019	2018
	£000	£000
Corporation tax		
Corporation tax charge	485	199
Adjustments in respect of prior periods	(8)	(2)
	477	197
Total current tax	477	197
Deferred tax		
Deferred tax (credit)/charge	(48)	152
Total deferred tax	(48)	152
Taxation on profit	429	349

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. Taxation (continued)

Factors affecting tax charge for the year

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

	2019 £000	2018 £000
Profit before tax	2,693	2,064
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	511	392
Effects of:		
Movement in tax rate	7	(26)
Short term timing differences	(10)	14
Adjustment in respect of previous years	-	(2)
Use of brought forward losses	(79)	(29)
Total tax charge for the year	429	349

11. Parent for the year attributable to shareholders

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the company is not presented as part of the financial statements. The Group profit includes a parent Company profit after tax of £359,000 (2018 - £302,000).

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. Intangible assets

Group

	Goodwill on acquisition of Bitage £000	Goodwill on acquisition of Holme Farm Group Holdings £000	Goodwill on acquisition of Unsoy £000	Total £000
Cost				
At 1 October 2018	357	(357)	300	300
At 30 September 2019	357	(357)	300	300
Amortisation				
At 1 October 2018	357	(204)	146	299
Charge for the year	-	(51)	43	(8)
At 30 September 2019	357	(255)	189	291
Net book value				
At 30 September 2019	-	(102)	111	9
At 30 September 2018	-	(153)	154	1

Negative goodwill arose on the acquisition of Holme Farm Group Holdings Limited on 30 September 2014.

On 30 April 2015, Kiril Mischeff Limited acquired the trade and stock of Unsoy in the UK, which resulted in goodwill arising. Goodwill and negative goodwill is being amortised over a period of seven years.

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

13. Tangible fixed assets

Group

	Investment property £000	Freehold property £000	Motor vehicles £000	Plant, equipment, fixtures and fittings £000	Total £000
Cost or valuation					
At 1 October 2018	250	3,589	922	1,888	6,649
Additions	-	234	136	165	535
Disposals	-	-	(91)	-	(91)
At 30 September 2019	250	3,823	967	2,053	7,093
Depreciation					
At 1 October 2018	-	851	447	1,275	2,573
Charge for the year on owned assets	-	48	203	110	361
Disposals	-	-	(89)	-	(89)
At 30 September 2019	-	899	561	1,385	2,845
Net book value					
At 30 September 2019	250	2,924	406	668	4,248
At 30 September 2018	250	2,738	475	613	4,076

The freehold property was last professionally revalued on 5 December 2016 by a third party on an open market value basis and the directors believe that this valuation is still valid at the current year end. This asset has a mixed use, in equal proportions, between freehold property and freehold investment property.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £000	2018 £000
Motor vehicles	-	36
	-	36

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

14. Fixed asset investments

Group

	Investments in associates £000
Cost	
At 1 October 2018	1,115
Disposals	(840)
	<hr/>
At 30 September 2019	275
	<hr/>
Provision for diminution in value	
At 1 October 2018	989
Share of profit	(6)
Loan repayment	27
Disposals	(839)
	<hr/>
At 30 September 2019	171
	<hr/>
Net book value	
At 30 September 2019	104
	<hr/> <hr/>
At 30 September 2018	126
	<hr/> <hr/>

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 October 2018	670
	<hr/>
At 30 September 2019	670
	<hr/>
Net book value	
At 30 September 2019	670
	<hr/> <hr/>
At 30 September 2018	670
	<hr/> <hr/>

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

14. Fixed asset investments (continued)

Direct subsidiary undertaking

The following was a direct subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Kiril-Mischeff Limited	Broadwall House, 21 Broadwall, London, SE1 9PL	Import and distribution of food products	Ordinary	100%

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
W Saunders (Shipping & Forwarding) Limited	Broadwall House, 21 Broadwall, London, SE1 9PL	Shipping and forwarding	Ordinary	100%
Bitage Limited	Enterprise house, Carlton Road, Worksop, Nottinghamshire, S81 7QF	Provision of serviced offices	Ordinary	100%
EE & Brian Smith (1928) Limited	Brook Farm, Dorton, Aylesbury, Buckinghamshire, HP 18 9NQ	Import and distribution of food products	Ordinary	100%
Holme Farm Group Holdings Limited	The Site Office, Holme Farm, Swineshead, Lincolnshire, PE20 3NL	Investment holding company	Ordinary	100%
E.F.W Limited	The Site Office, Holme Farm, Swineshead, Lincolnshire, PE20 3NL	Food processing and packaging	Ordinary	*100%
Holme Farm Marketing (Boston) Limited	The Site Office, Holme Farm, Swineshead, Lincolnshire, PE20 3NL	Non-trading	Ordinary	*100%
Holme Farm Transport Limited	The Site Office, Holme Farm, Swineshead, Lincolnshire, PE20 3NL	Non-trading	Ordinary	*100%
Holme Farm Fruits Limited	East Gormack, Blairgowrie, Perthshire, PH10 6TA	Food processing and packaging	Ordinary	**50%

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

14. Fixed asset investments (continued)

Indirect subsidiary undertakings (continued)

* Interest held by Holme Farm Group Holdings Limited

** The company holds significant influence and not controlling influence with these entities and are therefore treated as associates in line with the accounting policies.

All shares held in subsidiary companies are ordinary shares.

In the opinion of the directors, the aggregate value of the company's investment in the subsidiary is not less than the amount included in the balance sheet.

On 6th February 2019 Kiril Mischeff Limited sold its entire shareholding in Aseptico Limited for sale proceeds of £1, alongside the repayment of the principle loan of £600,000.

15. Stock

	Group 2019 £000	<i>Group 2018 £000</i>
Finished goods and goods for resale	12,359	10,452
	12,359	10,452

Changes in finished goods recognised as cost of sales in the year amounted to £602,000 (2018: £1,354,000)

16. Debtors

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Due after more than one year				
Deferred tax asset	331	283	-	-
Total due after more than one year	331	283	-	-
Due within one year				
Trade debtors	38,342	38,295	-	-
Amounts owed by joint ventures and associated undertakings	-	-	-	401
Other debtors	29	42	-	-
Prepayments and accrued income	76	107	-	-
Corporation tax debtor	66	104	-	-
Total due within one year	38,513	38,548	-	401

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

17. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank loans and overdrafts	1,956	2,148	-	-
Other financial liabilities	993	114	-	-
Trade creditors	32,447	30,518	-	-
Finance leases	27	27	-	-
Amounts due to subsidiaries, joint ventures and associated undertakings	-	-	519	26
Social security and taxes	707	536	-	-
Other creditors	511	511	-	-
Accruals and deferred income	8,706	11,539	-	-
	45,347	45,393	519	26

The amounts due to subsidiaries are interest free and repayable on demand.

The bank overdraft is secured by debenture on the assets of Kiril Mischeff (Trading) Limited. There are no financial covenants attached to this overdraft facility which has a limit of £500,000 or the invoice finance facility which has a limit of £12,000,000 and non-financial covenants were comfortably met during the year for both. Both the overdraft and invoice finance facility are subject to withdrawal with one month's notice. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Post year end, the overdraft facility has been increased to £3,500,000 to ensure adequate headroom throughout the Covid-19 global pandemic.

18. Creditors: Amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000
Long term loan	466	470
Tenants deposits	8	6
	474	476

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

19. Deferred tax

Deferred tax is analysed over the following timing differences:

	2019 £000	2018 £000
Depreciation in excess of capital allowances - assets	(64)	(44)
Depreciation in excess of capital allowances - liabilities	8	13
Other timing differences	(275)	(252)
	<u>(331)</u>	<u>(283)</u>

Movement on the provision for deferred tax are as follows:

	2019 £000	2018 £000
At 1 October 2018	(283)	(435)
(Credit)/Debit in the profit and loss account	(48)	152
At 30 September 2019	<u>(331)</u>	<u>(283)</u>

20. Provisions

Group

	£000
At 1 October 2018	
Transfer from accruals	2,248
At 30 September 2019	<u>2,248</u>

Provisions relate to estimated liabilities in relation to the supply of products to customers. All provisions are expected to be settled after more than one year.

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

20. Provisions (continued)

Company

	Total £000
At 30 September 2019	-

21. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
331,250 (2018 - 350,000) 'A' Ordinary shares of £0.10 each	33	35
37,500 (2018 - 37,500) 'B' Ordinary shares of £0.10 each	4	4
	37	39

'A' ordinary shares have full rights with regard to voting, participation and dividends. 'B' ordinary shares have full rights with regards to voting and dividends with a limit on participation.

During the year the company acquired 43,750 'A' Ordinary shares of which 18,750 were canceled on acquisition and 25,000 were canceled shortly after the year end date.

22. Contingent liabilities

Group

At 30 September 2019 the group had outstanding forward foreign exchange contracts of £67,633,072 (2018: £56,081,154).

23. Pension commitments

The group operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the group and amounted to £347,176 (2018: £309,518) for the year.

Contributions totalling £15,652 (2018: £16,736) were payable to the scheme at the year end and are included in creditors.

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

24. Commitments under operating leases

At 30 September 2019 the group had operating lease payments for the following year as set out below:

	Group 2019 £000	Group 2018 £000
Not later than 1 year	25	25
Later than 1 year and not later than 5 years	100	100
Later than 5 years	19	44
	144	169

25. Related party transactions

At 30 September 2019 a loan of £966,488 (2018: £969,832) was due by a group company to Broadwall Properties Limited, a company controlled by RAR Mischeff.

At 30 September 2019 a loan of £Nil (2018: £10,000) was due from Asceptico Limited, an associate of the Group.

KIRIL MISCHEFF (TRADING) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

26. Notes to the cash flow statement

a) Reconciliation of net cash flow to the movement in net funds/(debt)

	2019	2018
	£'000	£'000
Increase/(Decrease) in cash in the year	70	(418)
Movement in bank loans	368	308
Movement in other loans	2	(273)
	<hr/>	<hr/>
Movement in net debt in the year	440	(383)
Opening net debt/funds	(714)	(331)
	<hr/>	<hr/>
Closing net debt	(74)	(714)

b) Reconciliation of net cash flow to movement in net (debt)

	2018	Cash flow	2019
	£'000	£'000	£'000
Cash at bank and in hand	1,910	245	2,155
Bank overdrafts	(773)	(175)	(948)
	<hr/>	<hr/>	<hr/>
	1,137	70	1,207
Debt falling due within one year	(1,375)	368	(1,007)
Debt falling due after more than one year	(476)	2	(474)
	<hr/>	<hr/>	<hr/>
	(714)	440	(274)

KIRIL MISCHEFF (TRADING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

27. Cash flow hedges

The following table indicates the period in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

	2019			2018		
	Carrying amount £000	Expected cash flows £000	1 year or less £000	Carrying amount £000	Expected cash flows £000	1 year or less £000
Forward exchange contracts:						
Assets	-	-	-	-	-	-
Liabilities	(993)	(993)	(993)	(106)	(106)	(106)
	(993)	(993)	(993)	(106)	(106)	(106)

28. Post balance sheet events

On 20th March 2020 the UK Government announced that all UK restaurants and hospitality venues were to close as a result of the need to control the spread of the Covid-19 virus. This was followed on 23rd March 2020 by full lockdown in the UK.

As the principal activities of the Group are the supply of food and food ingredients, the operations of the Group continued throughout the lockdown period. From the Group's point of view, the supply of products to the Food Service sector was impacted the most as their own customer base was closed as a result of the lockdown. Sales to retail and to manufacturers to the retailers fared well as more consumers turned to cooking and eating at home.

Throughout the full lockdown, sales orders received throughout the Group have been reduced impacting profitability. As such a proportion of employees have been furloughed under the Governments' Coronavirus Job Retention Scheme, which facilitates the part payment of salaries and wages.

As lockdown restrictions are beginning to be eased by the UK Government, increased sales orders are being received and channels take tentative steps to re-open.

Cashflows are reviewed daily with sufficient headroom in the Groups borrowing facility to fund all working capital requirements.