

Financial Statements Zubrance Limited

For the Year Ended 25 June 2016



Registered number: 03092937

Zubrance Limited

Company Information

Directors	R Whitehead A Jones (resigned 20 September 2016)
Company secretary	A Jones (resigned 20 September 2016)
Registered number	03092937
Registered office	Valley House Hornbeam Park Avenue Harrogate North Yorkshire HG2 8QT
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Leeds West Yorkshire LS1 4BN
Bankers	Lloyds Bank Plc Lisbon House 2nd Floor 116 Wellington Street Leeds LS1 4LT
Solicitors	Rollits LLP Wilberforce Court Hight Street Hull HU1 1YJ

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Group Strategic Report

For the Year Ended 25 June 2016

Introduction

2015/16 has seen the two trading businesses within Zubrance, Confection by Design Limited and The Serious Sweet Company Limited, develop in line with expectations. Importantly, the successful development of two separate sites has enabled each of the businesses to focus more clearly on delivering its proposition.

Business review

Sales from continuing operations have increased this year from £6.88m to £8.38m and operating profit (pre-exceptional items) from continuing operations has also increased £0.54m to £1.15m.

The directors are pleased with this performance and believe the foundations laid this year, covering investment in site, capital equipment and team development, will enable the Group to continue to grow successfully.

Principal risks and uncertainties

The principal risks are those associated with the price of sugar and dairy-based raw materials. These have risen significantly this year, partly due to supply/demand fundamentals and partly due to sterling's devaluation following the result of the Brexit referendum.

Overall the Group has taken steps to mitigate this by passing on the majority of these increased costs to customers and by improving efficiencies internally.

Other risks such as product recall and customer concentration, for example, are managed through stringent adherence to recognised industry standards. The Group also has appropriate insurance cover for such eventualities.

Financial and non-financial key performance indicators

The Group monitors the performance of both trading companies monthly through a number of KPIs including sales, operating profit, free cash generation, customer lead times, service levels, productivity, capex, quality rejects, non-compliance and complaints.

The Group is comfortable with the scope and level of these KPIs.

This report was approved by the board on 15 March 2017 and signed on its behalf.



R Whitehead
Director

Directors' Report

For the Year Ended 25 June 2016

The directors present their report and the financial statements for the year ended 25 June 2016.

Principal activity

The principal activity of the Company is that of a holding company. The Group consists of a number of food manufacturing businesses.

Discontinued operations are shown within the consolidated statement of comprehensive income following the demerger of New Ivory Limited in August 2014.

Results and dividends

The loss for the year, after taxation, amounted to £439,000 (2015 - loss £2,143,000).

A dividend of £100,000 was paid after the year end (2015 - £100,000 paid during the year).

Directors

The directors who served during the year were:

R Whitehead

A Jones (resigned 20 September 2016)

Future developments

The Group is focused on delivering quality products to customers in the confectionary industry. There are no current plans to modify the existing strategy of the Group, only to continue working with existing and new customers.

Financial instruments

The Group does not trade in complex financial instruments. The Group is financed through a mixture of invoice discounting, overdraft and a bank loan. The Group's operations are located entirely in the United Kingdom and as such few transactions are denominated in foreign currency. Due to their immaterial nature, significant exposures do not arise in this area.

Directors' Report (continued)

For the Year Ended 25 June 2016

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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), including Financial Reporting Standard 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 company and 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's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

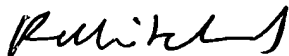
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the 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 company and the Group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15 March 2017 and signed on its behalf.



R Whitehead
Director

Independent Auditor's Report to the Members of Zubrance Limited

We have audited the financial statements of Zubrance Limited for the year ended 25 June 2016, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 25 June 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Zubrance Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

A handwritten signature in black ink, appearing to read "Andrew Wood", followed by a stylized flourish and a period.

Andrew Wood (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Leeds

15 March 2017

Consolidated Statement of Comprehensive Income

For the Year Ended 25 June 2016

	Note	Continuing operations 2016 £000	Discontin'd operations 2016 £000	Total 2016 £000	Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000
Turnover	4	8,375	-	8,375	6,884	2,290	9,174
Cost of sales		(4,030)	-	(4,030)	(3,592)	(1,701)	(5,293)
Gross profit		4,345	-	4,345	3,292	589	3,881
Administrative expenses		(3,200)	-	(3,200)	(2,754)	(490)	(3,244)
Exceptional items	12	(1,387)	-	(1,387)	(2,702)	-	(2,702)
Operating loss	5	(242)	-	(242)	(2,164)	99	(2,065)
Interest payable and expenses	9	(3)	-	(3)	(5)	(3)	(8)
Loss before taxation		(245)	-	(245)	(2,169)	96	(2,073)
Tax on loss	10	(194)	-	(194)	(70)	-	(70)
Loss for the year		(439)	-	(439)	(2,239)	96	(2,143)
				-	-	-	-
Owners of the parent company				(439)			(2,143)
				(439)			(2,143)

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2016 (2015: NIL).

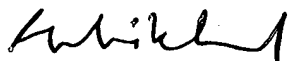
The notes on pages 13 to 33 form part of these financial statements.

Consolidated Statement of Financial Position

As at 25 June 2016

	Note	£000	25 June 2016 £000	27 June 2015 £000
Fixed assets				
Intangible assets	14		1,400	1,485
Tangible assets	15		718	585
			<u>2,118</u>	<u>2,070</u>
Current assets				
Stocks	17	507		377
Debtors: amounts falling due within one year	18	1,365		3,332
Cash at bank and in hand	19	2,358		1,186
		<u>4,230</u>		<u>4,895</u>
Creditors: amounts falling due within one year	20	(1,897)		(1,731)
Net current assets			<u>2,333</u>	<u>3,164</u>
Total assets less current liabilities			<u>4,451</u>	<u>5,234</u>
Creditors: amounts falling due after more than one year	21		-	(244)
Net assets			<u>4,451</u>	<u>4,990</u>
Capital and reserves				
Called up share capital	25		8	8
Capital redemption reserve	26		24	24
Profit and loss account	26		4,419	4,958
Equity attributable to owners of the parent company			<u>4,451</u>	<u>4,990</u>
			<u>4,451</u>	<u>4,990</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 March 2017.



R Whitehead
Director

The notes on pages 13 to 33 form part of these financial statements.

Company Statement of Financial Position

As at 25 June 2016

	Note	£000	25 June 2016 £000	£000	27 June 2015 £000
Fixed assets					
Tangible assets	15		12		13
Investments	16		3,340		3,340
			<u>3,352</u>		<u>3,353</u>
Current assets					
Debtors: amounts falling due within one year	18	870		2,157	
		<u>870</u>		<u>2,157</u>	
Creditors: amounts falling due within one year	20	(3,396)		(4,164)	
		<u>(3,396)</u>		<u>(4,164)</u>	
Net current liabilities			<u>(2,526)</u>		<u>(2,007)</u>
Total assets less current liabilities			<u>826</u>		<u>1,346</u>
Creditors: amounts falling due after more than one year	21		-		(244)
			<u>-</u>		<u>(244)</u>
Net assets			<u><u>826</u></u>		<u><u>1,102</u></u>
Capital and reserves					
Called up share capital	25		8		8
Capital redemption reserve	26		24		24
Profit and loss account	26		794		1,070
			<u>826</u>		<u>1,102</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 March 2017.



R Whitehead
Director

Consolidated Statement of Changes in Equity

For the Year Ended 25 June 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 28 June 2015	8	24	4,958	4,990
Comprehensive income for the year				
Loss for the year	-	-	(439)	(439)
Total comprehensive income for the year	-	-	(439)	(439)
Dividends: Equity capital	-	-	(100)	(100)
Total transactions with owners	-	-	(100)	(100)
At 25 June 2016	8	24	4,419	4,451

Consolidated Statement of Changes in Equity

For the Year Ended 27 June 2015

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 29 June 2014	8	24	7,101	7,133
Comprehensive income for the period				
Loss for the period	-	-	(2,143)	(2,143)
Total comprehensive income for the period	-	-	(2,143)	(2,143)
Total transactions with owners	-	-	-	-
At 27 June 2015	8	24	4,958	4,990

The notes on pages 13 to 33 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 25 June 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 28 June 2015	8	24	1,070	1,102
Comprehensive income for the period				
Loss for the year	-	-	(176)	(176)
Total comprehensive income for the year	-	-	(176)	(176)
Dividends: Equity capital	-	-	(100)	(100)
Total transactions with owners	-	-	(100)	(100)
At 25 June 2016	8	24	794	826

Company Statement of Changes in Equity

For the Year Ended 27 June 2015

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 29 June 2014	8	24	278	310
Comprehensive income for the period				
Profit for the period	-	-	792	792
Total comprehensive income for the period	-	-	792	792
At 27 June 2015	8	24	1,070	1,102

The notes on pages 13 to 33 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 25 June 2016

	25 June 2016 £000	27 June 2015 £000
Cash flows from operating activities		
Loss for the financial year	(439)	(2,143)
Adjustments for:		
Amortisation of intangible assets	85	184
Depreciation of tangible assets	120	219
Loss on disposal of tangible assets	-	113
Interest paid	3	8
Taxation	194	70
(Increase)/decrease in stocks	(130)	1,015
(Increase)/decrease in debtors	(31)	2,910
Decrease/(increase) in amounts owed by participating interests	1,987	(1,987)
Increase/(decrease) in creditors	389	(2,218)
Increase in amounts owed to participating interests	-	6
Loss on disposal of subsidiary	-	2,702
Corporation tax	(188)	(351)
Net cash generated from operating activities	1,990	528
Cash flows from investing activities		
Purchase of tangible fixed assets	(253)	(431)
Sale of tangible fixed assets	-	270
Net cash from investing activities	(253)	(161)

Consolidated Statement of Cash Flows (continued)

For the Year Ended 25 June 2016

	25 June 2016 £000	27 June 2015 £000
Cash flows from financing activities		
Repayment of loans	(195)	(66)
Repayment of finance lease obligations	-	(310)
Dividends paid	(100)	-
Interest paid	(3)	(8)
Net cash used in financing activities	(298)	(384)
Net increase/(decrease) in cash and cash equivalents	1,439	(17)
Cash and cash equivalents at beginning of year	474	491
Cash and cash equivalents at the end of year	1,913	474
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,358	1,186
Bank overdrafts	(445)	(712)
	1,913	474

The notes on pages 13 to 33 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 25 June 2016

1. General information

Zubrance Limited is a company limited by shares and incorporated in England and Wales. Its registered office is Valley House, Hornbeam Park Avenue, Harrogate, North Yorkshire, HG2 8QT.

The principal activity of Zubrance Limited is that of a holding company for Confection by Design Limited and The Serious Sweet Company Limited, businesses focused on food manufacturing and food retail sectors, respectively.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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.

Information on the impact of first-time adoption of FRS 102 is given in note 31.

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).

2.2 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.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 28 June 2014.

Financial period end

The financial statements are drawn up to the Saturday nearest to the 30 June each year. The current period's financial statements are for the 52 weeks ended 25 June 2016. The previous year's financial statements were for the 52 weeks ended 27 June 2015.

2.3 Going concern

The trading entities within the group are expected to continue to generate positive cash flows as a result of the principal activities for the foreseeable future. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Financial Statements

For the Year Ended 25 June 2016

2. Accounting policies (continued)

2.4 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:

Sale of goods

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

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Amortisation is provided on the following bases:

Goodwill	- 20 years
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Notes to the Financial Statements

For the Year Ended 25 June 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years
Plant & machinery	- 5 - 10 years
Computer equipment	- 3 - 5 years

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 in the Consolidated statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements

For the Year Ended 25 June 2016

2. Accounting policies (continued)

2.10 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 Consolidated 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 company's cash management.

2.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 Income statement.

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.

2.12 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.

Notes to the Financial Statements

For the Year Ended 25 June 2016

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The company'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 Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.14 Finance costs

Finance costs are charged to the Income statement 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.

2.15 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Notes to the Financial Statements

For the Year Ended 25 June 2016

2. Accounting policies (continued)

2.16 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

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 the standard 29 June 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.17 Pensions

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 Income statement 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.

2.18 Borrowing costs

All borrowing costs are recognised in the Income statement in the year in which they are incurred.

2.19 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 Income statement 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.

Notes to the Financial Statements

For the Year Ended 25 June 2016

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, 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 company and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are 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.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

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

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of property, plant and equipment and note 2.6 for the useful economic lives for each class of assets.

Impairment of debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 18 for the net carrying amount of the debtors and the associated impairment provision.

Notes to the Financial Statements

For the Year Ended 25 June 2016

4. Turnover

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	6,883	7,961
Europe	820	730
America & Canada	413	252
Australia & New Zealand	235	163
Asia	24	68
	<u>8,375</u>	<u>9,174</u>

5. Operating loss

The operating loss is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	120	219
Amortisation of intangible assets, including goodwill	85	184
Exchange differences	17	17
Operating lease rentals: plant and machinery	15	35
Operating lease rentals: land and buildings	109	132
Defined contribution pension cost	54	35
	<u>54</u>	<u>35</u>

6. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	20	19
Fees payable to the Group's auditor in respect of non-audit services	5	3
Fees payable to the Group's auditor in respect of corporation tax compliance	3	3
	<u>8</u>	<u>6</u>

Notes to the Financial Statements

For the Year Ended 25 June 2016

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	1,847	1,621
Social security costs	177	133
Cost of defined contribution scheme	54	35
	<u>2,078</u>	<u>1,789</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Warehouse and distribution	-	2
Selling	-	1
Administration	13	15
Production	30	39
New product development	5	6
	<u>48</u>	<u>63</u>

	2016 £000	2015 £000
Key management personnel		
Total compensation payable to key management personnel	<u>476</u>	<u>440</u>

8. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	224	221
Company contributions to defined contribution pension schemes	<u>4</u>	<u>-</u>

The highest paid director received remuneration of £138,000 (2015 - £136,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of one director amounted to £4,000 (2015 - £4,000).

Notes to the Financial Statements

For the Year Ended 25 June 2016

9. Interest payable and similar charges

	2016 £000	2015 £000
On bank loans and overdrafts	3	8

10. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	220	195
Adjustments in respect of previous periods	(36)	(129)
	184	66
Total current tax	184	66
Deferred tax		
Current charge	26	4
Adjustments in respect of previous periods	(16)	-
	10	4
Taxation on profit on ordinary activities	194	70

Notes to the Financial Statements

For the Year Ended 25 June 2016

10. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £000	2015 £000
Loss on ordinary activities before tax	(245)	(2,073)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(49)	(415)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	85	85
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	209	527
Capital allowances for year/period in excess of depreciation	-	(7)
Adjustments to tax charge in respect of prior periods	(51)	(129)
Effects of rate change	-	5
Deferred tax	-	4
Total tax charge for the year/period	194	70

11. Dividends

	25 June 2016 £000	27 June 2015 £000
Dividends paid	100	-

12. Exceptional items

	2016 £000	2015 £000
Loss on disposal of subsidiary	-	2,702
Write-off of related party loan receivable	1,387	-

The loss on disposal was recognised following the demerger of New Ivory Limited in 2015. Subsequent to the demerger, the related party balance due from New Ivory Limited was written-off.

Notes to the Financial Statements

For the Year Ended 25 June 2016

13. Parent company profit for the year

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 loss after tax of the parent company for the year was £176,000 (2015 - profit £792,000).

14. Intangible assets

Group

	Goodwill £000
Cost	
At 28 June 2015	1,702
At 25 June 2016	<u>1,702</u>
Amortisation	
At 28 June 2015	217
Charge for the year	85
At 25 June 2016	<u>302</u>
Net book value	
At 25 June 2016	<u><u>1,400</u></u>
At 27 June 2015	<u><u>1,485</u></u>

Notes to the Financial Statements

For the Year Ended 25 June 2016

15. Tangible fixed assets**Group**

	Plant & machinery £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost				
At 28 June 2015	1,830	15	92	1,937
Additions	253	-	-	253
At 25 June 2016	<u>2,083</u>	<u>15</u>	<u>92</u>	<u>2,190</u>
Depreciation				
At 28 June 2015	1,270	2	80	1,352
Charge for the period on owned assets	117	1	2	120
At 25 June 2016	<u>1,387</u>	<u>3</u>	<u>82</u>	<u>1,472</u>
Net book value				
At 25 June 2016	<u>696</u>	<u>12</u>	<u>10</u>	<u>718</u>
At 27 June 2015	<u>560</u>	<u>13</u>	<u>12</u>	<u>585</u>

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

	25 June 2016 £000	27 June 2015 £000
Plant and machinery	<u>-</u>	<u>338</u>

Notes to the Financial Statements

For the Year Ended 25 June 2016

Company

	Motor vehicles £000
Cost	
At 28 June 2015 and 25 June 2016	<u>15</u>
Depreciation	
At 28 June 2015	2
Charge for period	<u>1</u>
At 25 June 2016	<u>3</u>
	<u>12</u>
At 25 June 2016	<u>13</u>

Notes to the Financial Statements

For the Year Ended 25 June 2016

16. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Confection by Design Limited	UK	Ordinary	100 %	Food manufacturing
Dots of Fun Limited	UK	Ordinary	100 %	Dormant
The Serious Sweet Company Limited	UK	Ordinary	100 %	Food retail

Company

Investments
in
subsidiaries
£000

Cost

At 28 June 2015 and 25 June 2016

3,340

Net book value

At 27 June 2015 and 25 June 2016

3,340

Notes to the Financial Statements

For the Year Ended 25 June 2016

17. Stocks

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Raw materials and consumables	248	267	-	-
Finished goods and goods for resale	259	110	-	-
	<u>507</u>	<u>377</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £3,691,000 (2015 - £4,176,000).

18. Debtors

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Trade debtors	1,121	1,064	-	-
Amounts owed by Group undertakings	-	-	816	145
Amounts owed by related parties	-	1,987	-	1,987
Other debtors	59	112	15	5
Prepayments and accrued income	184	158	23	3
Deferred taxation (note 24)	1	11	16	17
	<u>1,365</u>	<u>3,332</u>	<u>870</u>	<u>2,157</u>

19. Cash and cash equivalents

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Cash at bank and in hand	2,358	1,186	-	-
Less: bank overdrafts	(444)	(712)	(440)	(711)
	<u>1,914</u>	<u>474</u>	<u>(440)</u>	<u>(711)</u>

Notes to the Financial Statements

For the Year Ended 25 June 2016

20. Creditors: Amounts falling due within one year

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Bank overdrafts	444	712	440	711
Bank loans	140	91	140	91
Trade creditors	836	568	-	-
Amounts owed to Group undertakings	-	-	2,673	3,294
Amounts owed to related parties	60	6	-	-
Corporation tax	64	67	-	-
Taxation and social security	85	64	26	25
Other creditors	58	38	41	23
Accruals and deferred income	210	185	76	20
	1,897	1,731	3,396	4,164

The Company has entered into an unlimited guarantee between the Company and its trading subsidiaries - Confection By Design Limited and The Serious Sweet Company Limited, with regards to the available overdraft facilities.

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

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Bank loans	-	244	-	244

22. Loans

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Amounts falling due within one year				
Bank loans	140	91	140	91
	140	91	140	91
Amounts falling due 1-2 years				
Bank loans	-	244	-	244
	-	244	-	244

Notes to the Financial Statements

For the Year Ended 25 June 2016

23. Financial instruments

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Financial assets				
Financial assets measured at amortised cost	3,083	3,538	15	1,992
	<u>3,083</u>	<u>3,538</u>	<u>15</u>	<u>1,992</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(1,557)	(1,835)	(997)	(1,800)
	<u>(1,557)</u>	<u>(1,835)</u>	<u>(997)</u>	<u>(1,800)</u>

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals and deferred income.

24. Deferred taxation

Group

	2016 £000	2015 £000
At beginning of year	11	(151)
Charged to the profit or loss	(10)	(4)
Utilised in year	-	166
At end of year	<u>1</u>	<u>11</u>

Company

	2016 £000	2015 £000
At beginning of year	17	19
Charged to the profit or loss	(1)	(2)
At end of year	<u>16</u>	<u>17</u>

	Group 25 June 2016 £000	Group 27 June 2015 £000	Company 25 June 2016 £000	Company 27 June 2015 £000
Accelerated capital allowances	5	(11)	16	-
Other short term timing differences	(4)	22	-	19
	<u>1</u>	<u>11</u>	<u>16</u>	<u>19</u>

Notes to the Financial Statements

For the Year Ended 25 June 2016

25. Share capital

	25 June 2016 £000	27 June 2015 £000
Shares classified as equity		
Authorised		
31,750 Ordinary shares of £1 each	<u>32</u>	<u>32</u>
Allotted, called up and fully paid		
8,144 (2015 - 7,620) Ordinary shares of £1 each	<u>8</u>	<u>8</u>

26. Reserves

Capital redemption reserve

This is a non-distributable reserve created from the historical repurchase of equity share capital.

Profit & loss account

This account records the historical profits and losses generated by the Company and retained within the business.

Notes to the Financial Statements

For the Year Ended 25 June 2016

27. Discontinued operations

There are no discontinued operations for the current year. The discontinued operations in the prior year relate to the demerger of New Ivory Limited, a previous subsidiary of Zubrance Limited.

	£000
Cash proceeds	-
Net assets disposed of:	
Tangible fixed assets	3,103
Stock	1,125
Debtors	2,730
Cash	361
Creditors	(4,617)
	(2,702)
Loss on disposal before tax	(2,702)
	£000
Net inflow of cash	-

28. Commitments under operating leases

At 25 June 2016 the Group and the company had total lease payments under non-cancellable operating leases as follows:

	Land & Buildings		Other	
	25 June 2016 £000	27 June 2015 £000	25 June 2016 £000	27 June 2015 £000
Within 1 year	159	159	8	14
Between 2 and 5 years	584	624	4	12
After more than 5 years	167	445	-	-

Notes to the Financial Statements

For the Year Ended 25 June 2016

29. Related party transactions

From 13 August 2014 New Ivory Limited ceased to be a member of the Zubrance group. New Ivory Limited continued to be a related party by virtue of the ultimate controlling party. Subsequent to this date, Zubrance made recharges to New Ivory Limited of £90,055 in relation to services provided to the entity. As at 25 June 2016 there was an amount owed to New Ivory Limited of £60,592 (2015: due from New Ivory Limited £1,886,672).

The company has taken advantage of FRS 102 "Related Party Transactions" from disclosing transactions with other members of the group headed by Zubrance Limited.

Subsequent to the year end, New Ivory Limited was sold to an unrelated third party and as such is no longer a related party of the Company.

30. Controlling party

The directors consider the ultimate controlling party to be R Whitehead as a result of controlling 100% of the issued share capital of the company.

31. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

As part of the transisiton to FRS 102 it was identified that distribution costs, previously recognised as part of administration costs, related to cost of sales activities. As such, these costs have been reclassified into cost of sales.