

REGISTERED NUMBER 00174706

**Thorntons Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 August 2021**



**Thorntons Limited**

**COMPANY INFORMATION**

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**DIRECTORS**

V Conti  
P Steyaert  
M Pescarolo

**SECRETARY**

H K Thandi

**REGISTERED OFFICE**

889 Greenford Road  
Greenford  
Middlesex  
UB6 0HE

**INDEPENDENT AUDITOR**

PricewaterhouseCoopers LLP  
40 Clarendon Road  
Watford  
WD17 1JJ

**Thorntons Limited**

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## Thomtons Limited

### Strategic Report

For the year ended 31 August 2021

The directors present their Strategic Report for the financial year ended 31 August 2021. The comparative information is for the year ended 31 August 2020.

#### Business review

The principal activity of the Company is the manufacture and sale of high-quality confectionery products for sale to other Ferrero group companies and third party customers. During financial year 2020/2021 the Company continued to distribute directly to consumers through its e-commerce channel in the UK, whilst retail operations underwent restructuring and closed in April 2021.

Turnover for the financial year ended 31 August 2021 was £86,491,000 (31 August 2020: £103,718,000). The loss for the financial year ended 31 August 2021 was £17,961,000 (31 August 2020: £35,435,000).

At the end of the financial year 2020/2021 the Company was in a net asset position of £7,368,000 (2020: net asset £18,825,000).

The strategy of the Company is to have Thomtons as a high-premium brand in the FMCG (Fast Moving Consumer Goods) business, commercialised by other Ferrero Group companies in the UK and abroad.

The aspiration for the factory in Alfreton is to develop it as Centre of Excellence and a key hub for the Ferrero group.

#### Business key performance indicators

The key performance indicators ("KPIs") defined by management to measure current year achievements in terms of market share and margin performance are as follow.

|                               | 2021    | 2020    |
|-------------------------------|---------|---------|
|                               | £000    | £000    |
| Turnover                      | 86,491  | 103,718 |
| Gross profit % of turnover    | 12.7%   | 21.3%   |
| Operating loss % of turnover  | (29.9%) | (32.5%) |
| Loss before tax % of turnover | (30.9%) | (36.3%) |

Like many others, the company has been operating for a long time in a tough and challenging retail environment. The high street has changed, and footfall continued to decrease as more customers shop online. The changing dynamics of the high street, the ongoing impact of Covid-19 and the numerous lockdown restrictions over the last year, especially during key trading periods at Easter and Christmas, meant the company was trading in the most challenging circumstances. This was reflected during the financial year 2020/2021, where total sales decreased compared to previous year.

Unfortunately, the obstacles the company faced on the high street were too severe and despite its best efforts the company had to take the difficult decision to permanently close the retail store estate in April 2021.

The sales to other Ferrero Group companies remained stable, and overall the gross profit remained positive. The operating loss has reduced compared to previous year mainly due to removal of retail store business overheads.

In line with its strategy, the Company continued to invest approximately £8 million (2019/2020: £9 million) during the financial year in the manufacturing infrastructure. The Company remains committed to investing in the future potential of Thomtons.

#### Principal risks and uncertainties

The directors and senior management evaluate and manage the risks faced by the business on a continual basis. The key business and financial risks affecting the Company are considered to be as follows:

##### Interest rate risk

Long-term and short-term borrowings represent loans or financial arrangements either from the parent company or another group company, which has been stipulated to reduce the company's exposure to third party banks or financial institutions and to fluctuations in interest rates. Borrowings are based on LIBOR which is considered to be a reliable measure of the base cost of borrowing in the wider market.

##### Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Company has a variety of borrowing facilities available from its immediate and ultimate parent company.

##### Brexit risk

Since 1 January 2021, Brexit is fully effective. The Company worked to ensure the continued speedy acquisition of raw materials and supplies from the EU. Short-term actions to prevent any disruption in the manufacturing process included, but were not limited to, stock build up for raw materials. Based on final negotiations between the UK and EU, the impact of additional custom duties cost is minimal.

**Thomtons Limited**

**Strategic Report (continued)**  
**For the year ended 31 August 2021**

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**Principal risks and uncertainties (continued)**

**Capital risk**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for Ferrero International S.A., the parent undertaking, and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**Price risk**

The Company seeks to limit its exposure to volatility in raw material and energy costs by buying forward contracts, where possible, for a period no longer than 1 year.

**Foreign currency risk**

The Company's exposure to foreign currency risk on trading transactions is not significant. However if needed, the Company, in agreement with the Group, can enter in foreign exchange rate forward contracts and other hedging exchange rate instruments to manage the exposure.

**Credit risk**

Sales arise from two principal routes to market, digital, which is essentially cash in nature and therefore presents no credit risk, and Intercompany sales which being controlled within the same Group present very little or no credit risk.

Other sales can arise from franchise, international sales and ingredients channels, which may be impacted by credit risk. Where credit sales are concerned, the Company operates effective credit control procedures in order to minimise exposure to overdue debts and, where possible, also carries insurance against the cost of bad debts. The insurance counterparties involved in transactions are limited to high quality financial institutions.

As the Thomtons business model results in an increased and growing proportion of sales being made to other group companies, it is felt that market risk also substantially transfers away from the Company to the Group. At 31 August 2021 there were no significant concentrations of credit risk.

**Section 172(1) statement**

The directors have considered their duty under section 172 of the Companies Act 2006 to act in good faith to promote the success of the Company for the benefit of its shareholders. In particular, the directors have clear regard to:

- Likely consequences of any decision in the long term.
- The interests of the Company's employees.
- Fostering the Company's business relationships with suppliers, customers and stakeholders.
- The impact of the Company's operations on people, the planet and the communities in which it operates.
- The Company's strong reputation for high standards of business conduct and values
- The need to act fairly, as members of the company.

The Company is committed to have a clear and growing role in the Sweet Packaged Foods, in line with the Ferrero Group. The Company has a dedicated approach to delivering quality at the heart, a value that runs throughout the business, from the Company's approach to quality and excellence, heritage and family values, its respect for the environment and the communities in which it operates in to encouraging thoughtful treating always with its small portioned products. This approach helps to guarantee the quality and experience of the company's unique products

People have and will always be a top priority, and the Company has strongly invested in colleague benefits to improve work life balance, support professional and personal growth and development. The Company has always believed that a diverse and inclusive workforce and culture of strong values is crucial to long-term business success and is passionate about providing colleagues with policies that help support them through all stages of their lives. The Company directors have introduced a range of policies such as extra paid leave to support those going through their journey of adoption, fertility treatments and surrogacy, paid leave for those who experience pregnancy loss and paid leave for those who are caregivers. Managers will be provided with sensitivity training, on topics such as miscarriage, menopause and transitioning at work, so that they are able to continue to create a positive and inclusive workplace.

There is an internal Code of Business Conduct that is followed setting the clear values and the directions for decision-making. The Company, along with the Ferrero Group, has an ongoing dialogue with its stakeholders on key business issues and decisions, recognising its key attributes in the unique products and valued people that work for and with the business. Any decisions taken by the Principal, which impacts Thomtons Limited, are formally considered by the UK board to evidence the directors carrying out their S172 duties, in addition to existing fiduciary and statutory responsibilities of the board. All local board decisions are made in line with the Company's values and success as the priority, and are adopting a long-term view and approach.

**Engagement with stakeholders**

Engaging and collaborating with our stakeholders is key to developing our strategy, building transparent and trusting relationships. We define our stakeholders as the internal and external individuals, groups and organisations that are in interested in or impact on/are impacted by our activities. Our mapping of internal and external stakeholders places the consumer at the heart of our engagement approach as our first key stakeholder.

Thorntons Limited

Strategic Report (continued)  
For the year ended 31 August 2021

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**Equal opportunities and employment of disabled persons**

Employment policies are designed to provide equal opportunity, irrespective of age, gender, sexual orientation, disability, religion, race or marital status. Full consideration is given to applications for employment and the continuing employment, training and career development of disabled people.

**Consumers: responsible marketing practices, high-quality ingredients and innovative products**

Responsible marketing communications and product labelling assist consumers in making appropriate choices about the food products they buy and consume. We believe all food types can be included as part of a varied and balanced diet, when consumed in moderation. Our approach is shaped by the latest science on food nutrition and focuses on portions that let consumers manage their daily energy needs within their overall diet.

Our parent company Ferrero International S.A. is committed to sustainable packaging on our journey to using 100% reusable, recyclable or compostable packaging by 2025. Reimagining products and packaging to meet the expectations of consumers requires putting innovation at the centre of our efforts. To deliver a circular economy also means engaging and educating consumers and communicating clear information to support them in disposing of packaging safely.

**Business partners: integrity and trustworthy approach to our customers and suppliers**

We rely on long-term relationships with raw material suppliers to ensure they understand, practice and embrace our values.

Our focus on people applies to the whole value chain, ensuring we uphold high standards of safety, human and labour rights in our global supply chains. We apply a due diligence-based approach to ensure the standards set out in the Ferrero Code of Ethics and Code of Business Conduct are adhered to by our employees, suppliers and collaborators.

The recent year has further highlighted the crucial importance of supply chain transparency, resilience and collaboration. Thorntons benefits from Ferrero's strong relationships with suppliers around the world which have enabled us to weather the storm and meet high expectations during the global pandemic being able to accommodate the increased demand for products.

**Employees: respect and care for our people through the organisation**

At Thorntons, we believe that a diverse and inclusive workforce is crucial to long-term business success. We aim to motivate our employees and support them in improving their decision making, consumer focus and engagement.

Thorntons employees are trained in the Ferrero Company vision upon joining the Company and we engage them throughout their career with us to maximise their contribution. The Ferrero People Centricity Strategy is focused on bringing about positive change for internal stakeholder groups. The Company communicates with employees weekly in writing and three times a year in person with information about the conduct and progress of the business. An element of remuneration of employees is linked to the Company's achievement of its financial targets, which provides an involvement for employees in the company's performance. The Company consults with recognised employee representatives and with focus groups of employees to develop policies of concern to employees in that capacity.

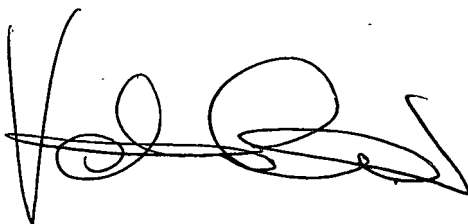
**Local communities: care for the communities in which we operate and where we source from**

Ferrero Group has been built by generations of people who share a commitment towards continuous improvement to achieve the highest quality and care that is put into everything we do for our consumers and the communities in which we operate.

Thorntons is part of the Ferrero Group which supports communities by donating product to the national food charity FareShare and local foodbanks.

This report was approved by the board and signed on its behalf by:

V Conti  
Director  
25 May 2022



**Thorntons Limited**

**Directors' Report**

**For the year ended 31 August 2021**

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The directors present their report and the audited financial statements of the Company for the period ended 31 August 2021.

**Results and dividends**

The results for the financial year can be seen in the income statement on page 13.

The directors do not recommend the payment of a dividend (2020: £Nil).

**Going concern**

The directors of Thorntons Limited made enquires and had the assurance to have access to financial support from Ferrero International S.A., the parent company. On the basis of this support and the current funding arrangements in place, the directors consider that Thorntons Limited has adequate resources to continue in operational existence for the foreseeable future, even under uncertain conditions created by the Covid-19 outbreak. Thus, the Company continues to adopt the going concern basis in preparing the Company's annual financial statements.

**Political contributions**

It is the policy of the Board not to make political donations and accordingly none were made in the financial year (2020: £nil).

**Future developments and financial risk management**

Future developments, financial risk management policies and post balance sheet events are set out in the Strategic Report on pages 4 to 6.

**Directors**

The directors who served during the financial year ended 31 August 2021 and up to date of signing the financial statements, unless otherwise indicated are given below.

V Conti (appointed on 01 January 2022)

P Di Pietro (resigned on 31 December 2021)

A Nérvegha (resigned on 31 August 2021)

M Pescarolo

P Steyaert (appointed on 01 September 2021)

**Qualifying third party indemnity provisions**

Qualifying third party indemnity insurance was provided to the directors and officers of the Company for the entire period covered by these financial statements and has continued to the date of approval of this report.

**Research and development**

The Company continues an active programme of research and development in all areas of its activities, with a constant review of existing products and development of new products being an integral part of this programme. Research and development costs amounting £747,000 (2020: £781,000) were expensed in financial year 2020/2021.

Thomtons Limited

Directors' Report (continued)  
For the year ended 31 August 2021

Streamlined Energy and Carbon Reporting (SECR)

|                                                                                                                                                 |             | 2020-2021     | 2019-2020     |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------|---------------|
| Energy consumption used to calculate emissions: kWh                                                                                             |             | 40,391,114.66 | 43,837,289.00 |
| Breakdown of above total energy by source                                                                                                       | Electricity | 19,231,774.83 | 21,558,338.00 |
|                                                                                                                                                 | Gas         | 21,042,468.00 | 21,713,354.00 |
|                                                                                                                                                 | Transport   | 116,871.83    | 565,597.00    |
|                                                                                                                                                 | Other       | 0.00          | 0.00          |
| Emissions from combustion of gas (Scope 1, location-based) / tCO2e                                                                              |             | 3,854.14      | 3,992.43      |
| Emissions from combustion of fuel for transport purposes (Scope 1) / tCO2e                                                                      |             | 5.00          | 6.33          |
| Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) / tCO2e |             | 24.02         | 135.76        |
| Emissions from purchased electricity (Scope 2, location-based) / tCO2e                                                                          |             | 4,083.48      | 5,026.11      |
| Total gross CO2e based on above (location-based) / tCO2e                                                                                        |             | 7,966.64      | 9,160.63      |
| Intensity ratio: tCO2e (gross) per tonne of production                                                                                          |             | 1.36          | 1.17          |
| Emissions from purchased electricity (Scope 2, market-based) / tCO2e                                                                            |             | 0.00          | 660.44        |
| Emissions from combustion of gas (Scope 1, market-based) / tCO2e                                                                                |             | 4.63          | 4,794.97      |
| Total gross CO2e based on above (market-based) / tCO2e                                                                                          |             | 33.65         | 0.61          |
| Intensity ratio: tCO2e (gross, market-based) per tonne of production                                                                            |             | 0.0057323     | 0.1030730     |

Quantification and reporting methodology

The Company has followed the 2019 HM Government Environmental Reporting Guidelines. The Company has also used the GHG Reporting Protocol - Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in tonnes of CO2e per tonne of production.

Energy Efficiency Action Taken:

In the period covered by the report the Company has undertaken a number of energy saving programmes.

We continued with our site lighting upgrades, installing DALI controlled LED lighting in the Alfreton Warehouse and also replacing the external and carpark lighting with low wattage LEDs. The projects will deliver an electricity saving and also have the additional benefit of removing a hazardous waste stream (fluorescent tube lights) and reducing the physical amount of waste produced through increased longevity of the new bulbs.

A project to install a 1.5MW combined heat and power (CHP) plant commenced during the period. Once operational in the following period (2021/22) this is expected to generate >60% of our site electricity requirement and around 45% of our site thermal demand for steam and hot water. We will purchase Renewable Gas Guarantees of Origin (RGGO) certificates to cover all gas that is purchased from the Grid. This is in addition to procuring electricity from the Grid on a renewable tariff, which we are already doing.

Other projects that are expected to yield energy savings include the continued replacement of pipework insulation across the Plant and the refurbishment of our wash rooms, with the removal of the urinals and the installation of dual flush controls, sensor taps and LED lighting on controls.



Thomtons Limited

Directors' Report (continued)  
For the year ended 31 August 2021

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**Disclosure of information to auditors**

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

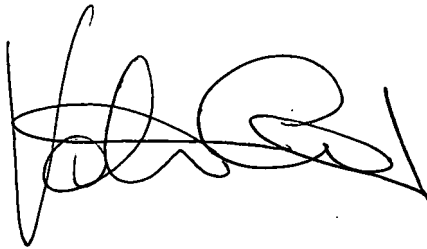
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors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

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

This report was approved by the board and signed on its behalf by:

V Conti  
Director  
25 May 2022

A handwritten signature in black ink, appearing to be 'V Conti', written over a horizontal line.

Thomtons Limited

Statement of Directors' Responsibilities with respect to the financial statements  
For the year ended 31 August 2021

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

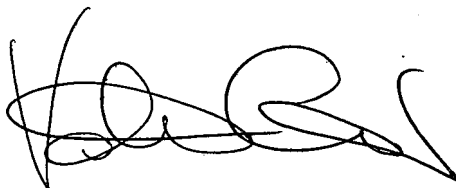
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

This report was approved by the board on 25 May 2022 and signed on its behalf by:

V Conti  
Director

A handwritten signature in black ink, appearing to be 'V Conti', written over a horizontal line.

# Independent auditors' report to the members of Thorntons Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Thorntons Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 August 2021; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 August 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities with respect to the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection, competition law, employment regulation and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to to posting inappropriate journal entries to revenue, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Identified and tested journal entries posted with unusual account combinations;
- Challenged assumptions and judgements made by management in their significant accounting estimates;
- Reviewed minutes of meetings of the Board of Directors;
- Discussed with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Designed audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

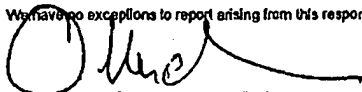
#### Other required reporting

##### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Owen Mackney (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Wetford

26 May 2022

Thorntons Limited

Income Statement  
For the year ended 31 August 2021

|                               | Note | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|-------------------------------|------|------------------------------------------|------------------------------------------|
| Turnover                      | 4    | 86,491                                   | 103,718                                  |
| Cost of sales                 |      | (75,472)                                 | (81,653)                                 |
| Gross profit                  |      | 11,019                                   | 22,065                                   |
| Administrative expenses       |      | (42,336)                                 | (63,578)                                 |
| Other operating income        | 5    | 5,479                                    | 7,822                                    |
| Operating loss                | 6    | (25,838)                                 | (33,691)                                 |
| Interest expenses and similar | 10   | (575)                                    | (3,645)                                  |
| Other finance expenses        | 11   | (303)                                    | (325)                                    |
| Loss before taxation          |      | (26,716)                                 | (37,661)                                 |
| Tax on loss                   | 12   | 8,755                                    | 2,226                                    |
| Loss for the financial year   |      | (17,961)                                 | (35,435)                                 |

Statement of Comprehensive Income  
For the year ended 31 August 2021

|                                                             | Note | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|-------------------------------------------------------------|------|------------------------------------------|------------------------------------------|
| Loss for the financial year                                 |      | (17,961)                                 | (35,435)                                 |
| Other comprehensive income / (expense):                     |      |                                          |                                          |
| Actuarial gain/(loss) on defined benefit schemes            | 26   | 7,120                                    | (3,680)                                  |
| Movement in deferred taxation relating to pension liability | 21   | (616)                                    | 1,089                                    |
|                                                             |      | 6,504                                    | (2,591)                                  |
| Total comprehensive expense for the financial year          |      | (11,457)                                 | (38,026)                                 |

Thorntons Limited

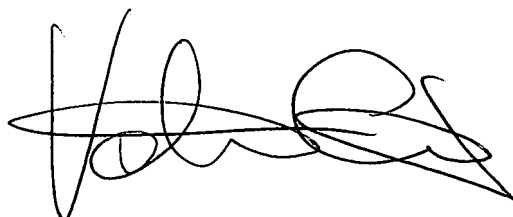
Statement of Financial Position  
As at 31 August 2021

|                                                         | Note | 31 August<br>2021<br>£'000 | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 | 31 August<br>2020<br>£'000 |
|---------------------------------------------------------|------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                                     |      |                            |                            |                            |                            |
| Intangible assets                                       | 13   |                            | 946                        |                            | 2,000                      |
| Tangible assets                                         | 14   |                            | 36,565                     |                            | 36,089                     |
| Right-of-use assets                                     | 15   |                            | 26,429                     |                            | 28,596                     |
| Investment in subsidiary undertakings                   | 16   |                            | <u>23,544</u>              |                            | <u>23,544</u>              |
|                                                         |      |                            | <u>87,484</u>              |                            | <u>90,229</u>              |
| <b>Current assets</b>                                   |      |                            |                            |                            |                            |
| Inventories                                             | 17   | 8,229                      |                            | 14,305                     |                            |
| Debtors: Amounts falling due after more than one year   | 18   | 9,222                      |                            | 5,843                      |                            |
| Debtors: Amounts falling due within one year            | 18   | 36,375                     |                            | 36,969                     |                            |
| Cash and cash equivalents                               |      | <u>1,704</u>               |                            | <u>302</u>                 |                            |
|                                                         |      | 55,530                     |                            | 57,419                     |                            |
| Creditors: Amounts falling due within one year          | 19   | <u>(101,473)</u>           |                            | <u>(71,590)</u>            |                            |
| Net current liabilities                                 |      |                            | <u>(45,943)</u>            |                            | <u>(14,171)</u>            |
| Total assets less current liabilities                   |      |                            | <u>41,541</u>              |                            | <u>76,058</u>              |
| Creditors: Amounts falling due after more than one year | 20   |                            | <u>(24,911)</u>            |                            | <u>(37,257)</u>            |
|                                                         |      |                            | <u>16,630</u>              |                            | <u>38,801</u>              |
| Provisions for liabilities                              | 22   |                            | <u>(190)</u>               |                            | <u>(335)</u>               |
| Pension liability                                       | 26   |                            | <u>(9,072)</u>             |                            | <u>(19,641)</u>            |
| Net assets                                              |      |                            | <u>7,368</u>               |                            | <u>18,825</u>              |
| <b>Capital and reserves</b>                             |      |                            |                            |                            |                            |
| Called up share capital                                 | 23   |                            | 177,005                    |                            | 177,005                    |
| Share premium account                                   | 24   |                            | 14,625                     |                            | 14,625                     |
| Accumulated losses                                      |      |                            | <u>(184,262)</u>           |                            | <u>(172,805)</u>           |
| Total Shareholders' funds                               |      |                            | <u>7,368</u>               |                            | <u>18,825</u>              |

The notes on pages 16 to 36 are an integral part of these financial statements.

The financial statements of Thorntons Limited (registered number 00174706) on pages 14 to 36 were approved by the board of Directors and authorised for issue on 25 May 2022. They were signed on its behalf by:

V Conti  
Director



Thorntons Limited

Statement of Changes in Equity  
For the year ended 31 August 2021

|                             | Called up<br>share capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Accumulated<br>losses<br>£'000 | Total<br>shareholders'<br>(deficit)/funds<br>£'000 |
|-----------------------------|-------------------------------------|--------------------------------------|--------------------------------|----------------------------------------------------|
| At 1 September 2019         | 7,005                               | 14,625                               | (134,779)                      | (113,149)                                          |
| Additional Shares issued    | 170,000                             | -                                    | -                              | 170,000                                            |
| Loss for the financial year | -                                   | -                                    | (35,435)                       | (35,435)                                           |
| Other comprehensive expense | -                                   | -                                    | (2,591)                        | (2,591)                                            |
| <b>At 31 August 2020</b>    | <b>177,005</b>                      | <b>14,625</b>                        | <b>(172,805)</b>               | <b>18,825</b>                                      |
| Loss for the financial year | -                                   | -                                    | (17,961)                       | (17,961)                                           |
| Other comprehensive income  | -                                   | -                                    | 6,504                          | 6,504                                              |
| <b>At 31 August 2021</b>    | <b>177,005</b>                      | <b>14,625</b>                        | <b>(184,262)</b>               | <b>7,368</b>                                       |

Thomtons Limited

Notes to the Financial Statements  
For the year ended 31 August 2021

1 General information

Thomtons Limited ("the Company"), is a private Company, limited by shares, and incorporated and domiciled in the UK. The address of the Company's registered office is 889 Greenford Road, Greenford, Middlesex, England, UB6 0HE.

The financial statements have been prepared for the year ended 31 August 2021. The comparative period was the year ended 31 August 2020.

The principal activity of the Company is the manufacture and sale of high-quality confectionery products for sale to third party customers including other Ferrero group companies.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company is a wholly owned subsidiary of Ferrero International S.A., which consolidated financial statements are publicly available.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The individual financial statements of Thomtons Limited have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 Judgements in applying accounting policies and key sources of estimation uncertainty.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
  - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation's between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies and changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.



Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

2 Summary of significant accounting policies (continued)

Consolidation

The financial statements contain information about Thorntons Limited as an individual company. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the financial statements of its ultimate parent undertaking, Ferrero International S.A., a company incorporated in Luxembourg, which are publicly available (note 28).

Going concern

The Company meets its day-to-day working capital requirements through its bank or group facilities. The Company's forecasts, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate within the level of its current facilities. After making enquiries, the directors are satisfied that the Company has adequate resources to continue in operational existence for the next financial year, supported by access to financial support from the parent undertaking, Ferrero International S.A. and are satisfied that Ferrero International S.A. can support the Company if needed for a period of at least twelve months from the date of signing these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in note 20. Creditors: Amounts falling due after more than one year.

Adoption of new and revised Standards

New standards, amendments and interpretations adopted during the financial year

*Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions.* The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is applicable for annual reporting periods beginning on or after 1 June 2020.

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.* These amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments are applicable for annual reporting periods beginning on or after 1 January 2021.

*Amendments to IAS 16 Property, Plant and Equipment.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are applicable for annual reporting periods beginning on or after 1 January 2022.

*Amendments to IAS 37 Onerous Contracts.* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

*Annual Improvements 2018-2020* make amendments to the following standards:

- IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

*Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021.* The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The apply for annual reporting periods beginning on or after 1 April 2021.

Thomtons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

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**2 Summary of significant accounting policies (continued)**

**New standards, amendments and interpretations not yet adopted**

*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.* The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2023.

*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies.* The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. These amendments will be applicable for Annual reporting periods beginning on or after 1 January 2023.

*Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.* The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. These amendments will be applicable for Annual reporting periods beginning on or after 1 January 2023.

*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.* The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. These amendments will be applicable for Annual reporting periods beginning on or after 1 January 2023.

Thomtons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

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2 Summary of significant accounting policies (continued)

**Functional and presentational currency**

The Company's functional and presentational currency is Pound Sterling. All financial information presented in Pound Sterling has been rounded to the nearest thousand.

**Foreign currency translation**

Transactions in foreign currencies are translated to Pound Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to Pound Sterling at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the income statement.

**Turnover**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

As the Company applies IFRS 15, revenue is recognised when a customer obtains control of goods and thus has the ability to direct the use and obtain the benefits from the goods.

Revenue recognition has to follow and meet the criteria of the five step approach, as described by IFRS 15:

- identification of the contract with the customer, it can be written, verbal or implied, but must be enforceable, have commercial substance and be approved by the parties to the contract;
- identification of the separate performance obligations in the contract, the key factor in identifying a separate performance obligation is the distinctiveness of the good, or a bundle of goods;
- determination of the transaction price, which is the amount of consideration that an entity expects to be entitled to in exchange for the promised goods;
- allocation of the transaction price to the separate performance obligations, which is based on the relative standalone selling prices of the goods promised and is made at inception of the contract;
- revenue recognition if each performance obligation is satisfied.

Retail sales and allowances are recognised at the date of the transaction with consumers. In addition, provisions are made for expected returns as necessary. For sales promotion purposes, the Company operates a variety of schemes that give rise to goods being sold at a discount to the standard retail price. These include staff discounts and the redemption of promotional vouchers. Turnover is adjusted to show sales net of all related discounts.

Franchise outlets and intercompany sales, are recognised either when goods are dispatched to customers or the customer has accepted the products, depending on the sales channel. Provision is made for expected returns and allowances as necessary, including discounts and rebates.

Turnover from the provision of the sale of goods on the internet is recognised at the point of dispatch.

**2 Summary of significant accounting policies (continued)**

**Grants (including Covid-19 grants)**

Grants and other contributions towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the income statement over the life of the asset. They are recognised at fair value where there is a reasonable assurance that the grant will be received and that the Company will comply with the conditions of the grant.

The Coronavirus Job Retention Scheme grant relates to staff who have been furloughed due to Covid-19. The CJRS grant claim is made and paid by HMRC in arrears. The grant is recognised within other operating income and is not offset against expenditure in profit or loss.

**Operating leases**

The costs of operating leases which are not in scope of IFRS 16 are charged against operating profit on a straight-line basis at existing rental levels. Incentives to sign leases, including reverse premiums and rent-free periods, are treated as deferred income and are credited to the income statement in equal instalments over the term of the lease.

**Other operating income**

Other operating income comprises amounts receivable in respect of licensing income and franchise fees, net of value added tax where applicable. Licence and other operating income are recognised on an accruals basis in accordance with the transfer of control and ability to direct the use and obtain the benefits of goods. Franchise fees are non-refundable and are charged in return for the initial grant of a five-year franchise and the income is therefore held as deferred income on the statement of financial position and released to the income statement on a straight-line basis over this five year period. Fees in respect of subsequent renewals are likewise amortised over the renewal period.

**Interest receivable and similar income**

Interest receivable is recognised in the income statement using the effective interest method.

**Interest payable and similar charges**

Interest payable is 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 instrument.

**Dividends**

Final dividends are recognised as a liability in the period in which they are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

**Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case tax effect is recognised in other comprehensive income or directly in shareholders funds respectively.

The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. The current tax charge also takes into account the effect of any loss surrendered to any other Group company located in the same tax jurisdiction. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The temporary differences between carrying amounts of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**2 Summary of significant accounting policies (continued)**

**Tangible assets**

Tangible fixed assets are recognised at cost and subsequently stated at cost less accumulated depreciation. Cost comprises the purchase price of tangible fixed assets together with any incidental costs of acquisition.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the income statement.

Land and assets in the course of construction are not depreciated. Other tangible fixed assets are depreciated to write their cost down to residual value over their remaining useful lives by equal annual instalments as follows:

|                                      |                       |
|--------------------------------------|-----------------------|
| Long leasehold and freehold premises | - 50 years            |
| Short leasehold land and buildings   | - Period of the lease |
| Other plant, vehicles and equipment  | - Up to 15 years      |
| Retail fittings and equipment        | - Up to 10 years      |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. The need for an impairment write-down is assessed by comparison of the carrying value of the asset against the higher of its net realisable value or value in use.

**Right-of-Use assets**

For leasing contracts in scope of IFRS16, the right-of-use asset is recognised with a corresponding lease liability when the leased asset is available for use. The right-of-use asset is equal to the lease liability, measured at the present value of the lease payments due over the lease term, adjusted to include initial direct costs and any dilapidation provision.

The right-of-use asset is depreciated over the lease term on a straight-line basis as follows:

|                    |                      |
|--------------------|----------------------|
| Land and buildings | - Up to 25 years     |
| Vehicles           | - 3 years to 5 years |

Right-of-use assets are also reviewed for impairment annually, as per the accounting policy applied for the impairment of non-financial assets.

**Impairment of non-financial assets**

Non-financial assets that are not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds (net of disposal costs) with the carrying amount and are recognised within operating expenses in the income statement.

**Pre-trading expenditure**

Pre-trading expenditure on new stores is charged to the income statement as incurred.

**Research & development**

Expenditure in respect of research and development is written off against profits in the period in which it is incurred, unless the development costs meet the criteria for capitalisation under IAS 38 'Intangible assets'.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

All capitalised software and systems are to be written off as follows:

|                   |                      |
|-------------------|----------------------|
| Computer software | - 4 Years to 8 years |
|-------------------|----------------------|

**Investments**

Investments in subsidiaries are recognised at cost and carried at cost with provision being made where appropriate for impairment. Impairment is assessed by comparing the carrying value to the higher of net realisable value or value in use.

**Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads, based on normal operating capacity, according to the stage of production reached and valued on a first-in, first-out basis. It excludes borrowing costs. Net realisable value is the estimated value which would be realised after deducting all costs of completion, marketing and selling. Provision is made to reduce the cost to net realisable value having regard to the age and condition of stock, as well as its anticipated saleability.

2 Summary of significant accounting policies (continued)

**Financial assets**

The Company recognises a financial asset in its statement of financial position when it becomes party of the contractual provisions of the instrument. Regular way purchase or sale of Financial assets is determined using trade date accounting or settlement date accounting. At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset, then classifies a financial assets based on business model adopted to manage the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset can be then subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold the asset to collect the associated contractual cash flows and the contractual terms of the asset give rise on specific dates to cash flows, which are payment of the principal and interests on the related outstanding amount only.

A financial asset is measured at fair value through other comprehensive income if the asset is held for collecting contractual cash flows and selling the financial assets and the terms of the assets give rise on specific dates to cash flows, which are payment of the principal and interests on the outstanding amount.

A financial asset is measured at fair value through profit or loss unless it's measured at amortised cost or at fair value through other comprehensive income. However, the Company can make an irrevocable election at initial recognition for some specific equity instruments or if doing so eliminates or significantly reduces a measurement or recognition inconsistency."

**Cash and cash equivalents**

Cash at bank includes cash in hand, deposits on call with banks, other short-term liquid investments with maturities of three months or less and bank overdrafts. Bank overdrafts are shown within current liabilities on the statement of financial position if there is no right of offset.

**Trade debtors**

Trade debtors are amounts due from customers for goods and services in the ordinary course of business, classified as current as all are expected to be received within one year. Trade debtors owed by group undertakings are also unsecured and interest free, usually payable within 30 days.

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost less allowances. A provision for doubtful trade debtors is calculated by applying the IFRS 9 simplified approach to measure expected credit losses, which combines the group customer rating and the ageing range defined. The group customer rating is elaborated considering the insurance buyer grade and the local past trading experience and future expectations.

**Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, classified as current as all are expected to be received within one year. Trade creditors to group undertakings are unsecured, interest free and usually payable on 30 days from invoice date terms.

**Derivatives and other financial instruments**

The Company seeks to limit its exposure to volatility in raw material and energy costs by buying these forward, where possible, for a period of up to a year.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs. Subsequent measurement is based on amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the expected period of the borrowings using the effective interest rate method. If borrowings are renegotiated before the end of their term, remaining non-amortised transaction costs are written off to the statement of comprehensive income.

**Provisions**

Provisions for onerous contracts and dilapidations are recognised in the statement of financial position when the Company has a legal or constructive obligation whereby, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at Group's weighted average cost of capital that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The store dilapidation provision is estimated based on past experience of cash outflows.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds, when applicable.

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**2 Summary of significant accounting policies (continued)**

**Financial liabilities**

The Company recognises a financial liability in its statement of financial position when the company becomes party of the contractual provisions of the instrument. Financial liabilities are classified based on business model adopted to manage the financial liability and the contractual cash flow characteristics of that financial liability.

At initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, derivative liabilities and other peculiar cases mentioned in IFRS 9, which are subsequently measured at fair value.

For financial liabilities subsequently measured at amortised cost, the Company uses the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company can also, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when permitted by IFRS 9 or when doing so results in more relevant information, because either it eliminates or significantly reduces a measurement or recognition inconsistency.

For liabilities designated as at fair value through profit or loss, the Company will present a gain or loss on a financial liability as follows:

(a) The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income, and

(b) the remaining amount of change in the fair value of the liability will be presented in profit or loss, unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss.

If the treatment described above would create or enlarge an accounting mismatch in profit or loss, the Company needs to present all gains or losses on that liability."

**Post-retirement benefits**

**Defined benefit pension scheme**

The retirement benefit liability recognised in the statement of financial position represents the present value of the defined benefit liability and unfunded liabilities as reduced by the fair value of defined benefit scheme assets. This scheme was closed to new entrants with effect from August 2002 and closed to future accrual in April 2013.

The defined benefit liability is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit liability is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustment and actuarial gains and losses are recognised in full in the period in which they occur. They are recognised directly in equity and are presented in the statement of comprehensive income. Administrative expenses and interest associated with the defined benefit scheme are recognised in the income statement.

The contributions made by the employees (up to the date of closure) and the Company are held in a trust fund separate from the Company's finances.

**Defined contribution pension scheme**

The Company also operates a defined contribution pension scheme that requires contributions to be made to a separately administered fund. Contributions to the fund are determined as a percentage of employees' earnings and are charged to the income statement as incurred.

**3 Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions. Actual results could differ from these estimates. Information about such judgements and estimates is contained in the accounting policies and notes to the financial statements, and the key areas are summarised below.

**(i) Retirement benefit liability**

The valuation of the retirement benefit liability is dependent upon a series of assumptions, the key ones being discount rates, mortality rates, investment returns and inflation on the rate of salary and pension increases. These judgements and estimates are determined after taking into account the requirements of IAS 19 'Retirement benefit obligations' and after taking expert advice from the Company actuaries. These assumptions are set out in note 26. Pension commitments to the financial statements.

**(ii) Inventory Provision**

The Company assesses and reviews its inventory provision at each reporting date or even more frequently is needed. Provision covers expired goods, goods which do not meet the Company's quality standards and can't be sold, goods to be written-off or slow-moving goods. Goods in stock are carefully reviewed and when needed provision is booked against at cost.

**(iii) Useful economic lives of property, plant and equipment and intangible assets**

Determining the recoverability of property, plant and equipment, and intangibles requires, among other matters, an estimation of future production output and changes in technology. The Company applies useful economic lives prescribed by accounting policy, but reviews the estimated useful lives of property, plant and equipment and intangibles periodically or at least at the end of each annual reporting period using several statistical, historical and judgemental factors to reflect the current local status of use of the asset.

**(iv) Deferred tax asset**

Recognition of a deferred tax asset requires judgement for determining the extent of its recoverability at each balance sheet date. Management assesses recoverability with reference to approved forecasts of future taxable profits. These forecasts require the use of assumptions and estimates. Due to the uncertainty of the Company's future taxable profits, the Company considers appropriate to continue not to recognise its potential deferred tax asset on its brought forward losses in its income statement and statement of financial position for the year ended 31 August 2021, but recognises the deferred tax assets on the pension scheme deficit and accelerated capital allowances.

**(v) Lease Accounting**

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. To determine the incremental borrowing rate, the Company either uses recent third-party financing received by the lessee or uses a build-up approach from risk-free interest adjusted for the credit rating and eventually adjust for specific leases. In determining the lease term, management considers extension and termination options and all circumstances to exercise or not the option. The Company then considers those that are reasonably certain to be exercised for the lease liabilities measurement.

**(vi) Recoverability of property, plant and equipment, intangible assets and right of use assets**

Property, plant and equipment, intangible assets and right of use assets are impaired when there are events of changes or circumstances indicating that the carrying values of the assets are not recoverable. Such impairment indicators may include changes in business plans, changes in market conditions leading to unprofitable performance or future profitability not being sufficient to recover the value of the assets. Management is required to estimate highly uncertain and complex factors, like market trends, business performance, inflation, market supply or demand.

Impairment losses are determined by comparing the book value of an asset to its recoverable amount. The recoverable amount is the greater of the fair value net of cost of disposal or its value in use. The estimated value in use is based on the present value of expected future cash flows net of costs of disposal. The expected future cash flows used for impairment analysis are elaborated on judgmental assessment of future production volumes, sales prices and manufacturing costs, based on the information available at the date the estimate is calculated and discounted at a rate, which represents the specific risk of the asset.



Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

4 Turnover

Turnover is derived from the sale of goods as part of the Company's principal activity.

An analysis of turnover by geographical market at August 31 is given below:

|                   | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|-------------------|------------------------------------------|------------------------------------------|
| United Kingdom    | 73,603                                   | 99,245                                   |
| Rest of Europe    | 223                                      | 172                                      |
| Rest of the World | 12,665                                   | 4,301                                    |
|                   | <u>86,491</u>                            | <u>103,718</u>                           |

5 Other operating income

|                                  | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|----------------------------------|------------------------------------------|------------------------------------------|
| Licensing income                 | 2,270                                    | 2,728                                    |
| Government grants and incentives | 128                                      | 2,311                                    |
| Other sundry income              | <u>3,081</u>                             | <u>2,783</u>                             |
|                                  | <u>5,479</u>                             | <u>7,822</u>                             |

6 Operating loss

The operating loss at August 31 is stated after charging:

|                                                   | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|---------------------------------------------------|------------------------------------------|------------------------------------------|
| Cost of stocks recognised as an expense           | 30,712                                   | 52,899                                   |
| Employee costs (note 8)                           | 38,752                                   | 41,987                                   |
| Impairment of inventory                           | 6,365                                    | 6,674                                    |
| Depreciation of tangible fixed assets (note 14)   | 4,924                                    | 5,548                                    |
| Amortisation of intangible fixed assets (note 13) | 1,110                                    | 678                                      |
| Utilities                                         | 4,796                                    | -                                        |
| Transport cost                                    | 3,621                                    | 3,288                                    |
| Repairs and Maintenance                           | 3,174                                    | 8,792                                    |
| Right-of-use Depreciation (note 15)               | 2,460                                    | 12,059                                   |
| Lease expenses                                    | 583                                      | 1,843                                    |
| Shop closure costs                                | <u>11,186</u>                            | <u>1,816</u>                             |

Shop closure costs are one-off costs incurred in the store closure program, including legal, strip-out, rectification and asset write-off costs. Redundancy costs are included in Employees costs as disclosed in note 8.

Cost of stocks recognised as an expense in financial year 2020/2021 has been calculated based on the consumption of raw materials, packaging and other materials used in the manufacturing process, while in previous year also transformation costs were included in the caption along with an element of employee costs that were also accounted for in the employee costs line.

7 Auditors remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

|                                                                  | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Fees payable for the audit of the Company's financial statements | 130                                      | 136                                      |
| - audit of subsidiaries                                          | 3                                        | 2                                        |
| - turnover certificates                                          | -                                        | 5                                        |
| Total charged to income statement                                | <u>133</u>                               | <u>143</u>                               |

**Thorntons Limited**

**Notes to the Financial Statements (continued)**  
**For the year ended 31 August 2021**

**8 Employees**

Staff costs were as follows:

|                       | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|-----------------------|------------------------------------------|------------------------------------------|
| Wages and salaries    | 34,110                                   | 36,984                                   |
| Social security costs | 2,634                                    | 3,081                                    |
| Other pension costs   | 2,008                                    | 1,922                                    |
|                       | <u>38,752</u>                            | <u>41,987</u>                            |

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

|                               | Year ended<br>31 August<br>2021<br>Number | Year ended<br>31 August<br>2020<br>Number |
|-------------------------------|-------------------------------------------|-------------------------------------------|
| Management and administration | 223                                       | 214                                       |
| Selling and distribution      | 364                                       | 867                                       |
| Manufacturing                 | 487                                       | 718                                       |
|                               | <u>1,074</u>                              | <u>1,799</u>                              |

**9 Directors' remuneration**

Two of the directors have their remuneration paid by another Ferrero Group UK based company and it is not practical to separately identify this service cost to the Company. These cost are not recharged to the Company.

|            | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|------------|------------------------------------------|------------------------------------------|
| Emoluments | 1,449                                    | 1,172                                    |
|            | <u>1,449</u>                             | <u>1,172</u>                             |

Remuneration of the highest paid Director:  
 Emoluments

|            | 2021<br>£'000 | 2020<br>£'000 |
|------------|---------------|---------------|
| Emoluments | 1,030         | 791           |
|            | <u>1,030</u>  | <u>791</u>    |

Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

10 Interest expenses, income and similar

|                                            | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|--------------------------------------------|------------------------------------------|------------------------------------------|
| Interest on loan owed to group undertaking | 141                                      | 2,258                                    |
| Unwinding of discount                      | -                                        | 581                                      |
| Interest of finance leases (note 15)       | 549                                      | 701                                      |
| Other finance (income)/cost                | (115)                                    | 105                                      |
|                                            | <u>575</u>                               | <u>3,645</u>                             |

11 Other finance expenses

|                                                         | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|---------------------------------------------------------|------------------------------------------|------------------------------------------|
| Net interest on net defined benefit liability (note 26) | <u>303</u>                               | <u>325</u>                               |

12 Tax on loss

|                               | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|-------------------------------|------------------------------------------|------------------------------------------|
| Corporation tax credit        | (4,721)                                  | (3,256)                                  |
| Deferred tax (note 21)        | (4,034)                                  | 1,030                                    |
| Total tax credit for the year | <u>(8,755)</u>                           | <u>(2,226)</u>                           |

Thomtons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

12 Tax on loss (continued)

Factors affecting tax charge for the period

The tax credit assessed for the period is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

|                                                                    | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|--------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Loss before taxation                                               | (26,716)                                 | (37,661)                                 |
| Tax on loss before taxation at standard rate of 19.00% (2020: 19%) | (5,076)                                  | (7,156)                                  |
| Expenses non-deductible for tax purposes                           | 163                                      | 492                                      |
| Adjustments in respect of prior periods                            | (2,163)                                  | 114                                      |
| Tax losses on which deferred tax not recognised                    | 1,530                                    | 6,251                                    |
| Group relief surrendered at 100%                                   | (1,764)                                  | (1,649)                                  |
| Impact of deferred tax rate change                                 | (1,133)                                  | (278)                                    |
| Difference between current and deferred tax rates                  | (312)                                    | -                                        |
| Total tax credit for the period                                    | (8,755)                                  | (2,226)                                  |

13 Intangible assets

|                                              | Computer<br>software<br>£000 |
|----------------------------------------------|------------------------------|
| Cost at 1 September 2020                     | 13,480                       |
| Additions                                    | 56                           |
| Disposals                                    | (1,032)                      |
| Cost at 31 August 2021                       | 12,504                       |
| Accumulated amortisation at 1 September 2020 | 11,480                       |
| Charge for the period                        | 1,110                        |
| On disposals                                 | (1,032)                      |
| Accumulated amortisation at 31 August 2021   | 11,558                       |
| Net book value at 31 August 2021             | 946                          |
| Net book value at 31 August 2020             | 2,000                        |

Included above are £3,000 (2020: £138,000) of assets in the course of construction that are not being amortised at the statement of financial position date.

Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

14 Tangible assets

|                                              | Long<br>leasehold<br>and freehold<br>land and<br>buildings<br>£000 | Short<br>leasehold<br>land and<br>buildings<br>£000 | Other plant,<br>vehicle and<br>equipment<br>£000 | Retail<br>fittings and<br>equipment<br>£000 | Total<br>£000 |
|----------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|---------------------------------------------|---------------|
| Cost at 1 September 2020                     | 7,213                                                              | 2,604                                               | 102,763                                          | 23,805                                      | 136,385       |
| Additions                                    | 937                                                                | 121                                                 | 6,017                                            | 271                                         | 7,346         |
| Disposals                                    | -                                                                  | (1,879)                                             | (527)                                            | (13,618)                                    | (16,024)      |
| Cost at 31 August 2021                       | 8,150                                                              | 846                                                 | 108,253                                          | 10,458                                      | 127,707       |
| Accumulated depreciation at 1 September 2020 | 1,789                                                              | 2,531                                               | 72,171                                           | 23,805                                      | 100,296       |
| Charge for the period                        | 543                                                                | 31                                                  | 5,506                                            | (1,156)                                     | 4,924         |
| Disposals                                    | -                                                                  | (1,803)                                             | (83)                                             | (12,192)                                    | (14,078)      |
| Accumulated depreciation at 31 August 2021   | 2,332                                                              | 759                                                 | 77,594                                           | 10,457                                      | 91,142        |
| Net book value at 31 August 2021             | 5,818                                                              | 87                                                  | 30,659                                           | 1                                           | 36,565        |
| Net book value at 31 August 2020             | 5,424                                                              | 73                                                  | 30,592                                           | -                                           | 36,089        |

Assets are reviewed for impairment on a regular basis and a provision made where necessary. Further details on impairment test methodology are disclosed in note 2. Summary of significant accounting policies.

The net impairment release for the financial year of £708,000 (2020: £547,000 net charge) has been recognised within the depreciation charge for the financial year. This mainly relates to the impairment release on retail assets, that have been disposed after the stores closure.

Assets in the course of construction included above are £7,699,000 (2020: £8,407,000), mainly on other plant, vehicle and equipment. These assets are not being depreciated at the balance sheet date.

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

|                                     | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|-------------------------------------|----------------------------|----------------------------|
| Other plant, vehicles and equipment | 1,059                      | 1,414                      |
|                                     | 1,059                      | 1,414                      |

Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

15 Leases

Following the application of IFRS 16 the Company recognized right of use assets and the corresponding liabilities for lease contracts mainly for properties and vehicles.

Right-of-use assets

|                                            | Land and<br>Building<br>£000 | Vehicles<br>£000 | Total<br>£000 |
|--------------------------------------------|------------------------------|------------------|---------------|
| Right of use asset as at September 1, 2020 | 26,718                       | 1,878            | 28,596        |
| Additions                                  | -                            | 334              | 334           |
| Disposals                                  | -                            | (41)             | (41)          |
| Depreciation of the period                 | (1,933)                      | (527)            | (2,460)       |
| Right of use asset as at August 31, 2021   | 24,785                       | 1,644            | 26,429        |

During financial year 2020/2021, following the announcement of the stores closure restructuring, right of use assets related to Stores leasing contract were disposed. These contracts were previously fully impaired at August 31, 2021 based on a discounted cash flow model by store.

Lease Liabilities

|                                     | 2020/2021<br>£'000 | 2019/2020<br>£'000 |
|-------------------------------------|--------------------|--------------------|
| Lease liabilities as at September 1 | 43,562             | 47,215             |
| Additions                           | 334                | 4,209              |
| Disposals                           | (7,084)            | (1,248)            |
| Interests                           | 549                | 701                |
| Repayments                          | (7,026)            | (7,315)            |
| Lease Liabilities as at August 31   | 30,335             | 43,562             |

|             | 31 August 2021<br>£000 | 31 August 2020<br>£000 |
|-------------|------------------------|------------------------|
| Current     | 5,472                  | 6,626                  |
| Non-Current | 24,863                 | 36,936                 |
|             | 30,335                 | 43,562                 |

Contractual maturities of the lease liabilities, which are stated gross and undiscounted, are as follows:

|                                                   | 31 August<br>2021<br>£000 |
|---------------------------------------------------|---------------------------|
| Not later than one year                           | 5,874                     |
| Later than one year and not later than five years | 9,914                     |
| Later than five years                             | 17,031                    |
|                                                   | 32,819                    |

16 Investment in subsidiary undertakings

|                                                                | £000   |
|----------------------------------------------------------------|--------|
| Cost and net book value at 1 September 2020 and 31 August 2021 | 23,544 |

The directors believe that the carrying value of the Company's investments in its subsidiaries is supported by their underlying net assets or future cash flows and no impairment was accounted for during financial year 2020/2021.

Fixed asset investments comprise investments in subsidiary undertakings held by Thorntons Limited. The following subsidiary undertakings were held at August 31, 2021:

| Name                            | Country of<br>incorporation<br>and operation | class of<br>shares | Holding | Principal activity     |
|---------------------------------|----------------------------------------------|--------------------|---------|------------------------|
| Strand Court Properties Limited | England                                      | Ordinary           | 100%    | Property<br>investment |
| Gartner Pralines Limited        | England                                      | Ordinary           | 100%    | Dormant                |
| Imco (3496) Limited             | England                                      | Ordinary           | 100%    | Dormant                |

The registered address for all the above companies is 889, Greenford Road, Greenford, UB6 0HE.

Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

17 Inventories

|                                     | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|-------------------------------------|----------------------------|----------------------------|
| Raw materials                       | 4,130                      | 4,245                      |
| Work in progress                    | 2,098                      | 2,467                      |
| Finished goods and goods for resale | 2,001                      | 7,593                      |
|                                     | <u>8,229</u>               | <u>14,305</u>              |

Inventories are stated after provision for impairment of £2,522,000 (2020: £2,617,000).

During financial year ended 31 August 2021 the Company recognised £6,365,000 as inventory write-off in its income statement (2020: £6,951,000).

18 Debtors

|                                             | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|---------------------------------------------|----------------------------|----------------------------|
| Amount falling due after more than one year |                            |                            |
| Deferred tax asset (note 21)                | <u>9,222</u>               | <u>5,843</u>               |
| Amount falling due within one year          |                            |                            |
| Trade debtors                               | 558                        | 1,158                      |
| Amounts owed by group undertakings          | 20,976                     | 29,743                     |
| Other debtors                               | 137                        | 262                        |
| Corporation tax                             | 6,157                      | 3,480                      |
| Other taxation                              | 3,565                      | 1,061                      |
| Prepayments and accrued income              | 4,982                      | 1,265                      |
|                                             | <u>36,375</u>              | <u>36,969</u>              |

Trade debtors are stated after provisions for impairment of £25,000 (2020: £146,000).

19 Creditors: Amounts falling due within one year

|                                    | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|------------------------------------|----------------------------|----------------------------|
| Trade creditors                    | 6,661                      | 6,578                      |
| Lease Liability (note 15)          | 5,472                      | 6,626                      |
| Social security and other taxation | 969                        | 1,051                      |
| Accruals and deferred income       | 13,428                     | 15,684                     |
| Amounts owed to group undertakings | 74,943                     | 41,651                     |
|                                    | <u>101,473</u>             | <u>71,590</u>              |

Amounts owed to group undertakings of £59,961,000 (2020: £25,830,000) are unsecured, repayable on demand and subject to financial interests. During financial year 2020/2021 interest expenses generated by amounts owed to group undertakings were £ 141,000 (in 2020: £738,000). The remaining amount of £14,982,000 (2020: £15,821,000) derives from operating activities.

Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

20 Creditors: Amounts falling due after more than one year

|                              | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|------------------------------|----------------------------|----------------------------|
| Accruals and deferred income | 48                         | 321                        |
| Lease liability (note 15)    | 24,863                     | 36,936                     |
|                              | <u>24,911</u>              | <u>37,257</u>              |

Included in accruals and deferred income are amounts totalling £47,000 (2020: £66,000) held in respect of Government grants.

21 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2020: 19%). The increase of the corporate income tax rate was announced and enacted in the Finance Act 2021 and will be applicable from April 2023. The movement on the deferred tax account is shown below.

|                                                  | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------------------------------|---------------|---------------|
| At 1 September                                   | 5,843         | 5,745         |
| Credited/(charged) to the income statement       | 4,034         | (1,030)       |
| (Charged)/credited to other comprehensive income | (616)         | 1,089         |
| R&D credit                                       | (39)          | 39            |
| At 31 August                                     | <u>9,222</u>  | <u>5,843</u>  |

The deferred tax asset is made up as follows:

|                                | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|--------------------------------|----------------------------|----------------------------|
| Accelerated capital allowances | 6,850                      | 1,971                      |
| Retirement benefit liability   | 2,254                      | 3,732                      |
| Other                          | 118                        | 140                        |
|                                | <u>9,222</u>               | <u>5,843</u>               |

22 Provisions for liabilities

|                            | Onerous<br>lease<br>provision<br>£'000 | Dilapidations<br>provision<br>£'000 | Other<br>provision<br>£'000 | Total<br>£'000 |
|----------------------------|----------------------------------------|-------------------------------------|-----------------------------|----------------|
| At 1 September 2020        | 145                                    | 130                                 | 60                          | 335            |
| Utilised during the period | (145)                                  | -                                   | -                           | (145)          |
| At 31 August 2021          | <u>-</u>                               | <u>130</u>                          | <u>60</u>                   | <u>190</u>     |

The Company provides for property dilapidations, where appropriate, based on estimated undiscounted costs of the dilapidation repairs spread over the period of the tenancy.



Thomtons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

23 Called up share capital

|                                                                                                        | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|--------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Authorised, issued and fully paid<br>1,770,052,397 (2020: 1,770,052,397) Ordinary shares of £0.10 each | 177,005                    | 177,005                    |

24 Share premium account

|                       | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|-----------------------|----------------------------|----------------------------|
| Share premium account | 14,625                     | 14,625                     |

The share premium account represents the difference between the par value of the shares issued and subscription or issue price.

25 Capital and other financial commitments

|                                  | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|----------------------------------|----------------------------|----------------------------|
| Bulk supplies of raw ingredients | 13,824                     | 11,442                     |
|                                  | 13,824                     | 11,442                     |

The majority of bulk raw material supply contracts are denominated in Pound Sterling and therefore carry no foreign currency exposure.

Thorntons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

26 Pension commitments

Pension arrangements are operated through a defined contribution scheme and a defined benefit scheme.

The pension costs charged for the period in respect of the defined contribution scheme represents contributions payable by the Company and amounted to £1,205,000 (2020: £1,195,000). At 31 August 2021, pension contributions of £ 91,000 were accrued (2020: £69,000). There were no prepaid contributions at 31 August 2021 (2020: £nil).

The Company operates a Career Average Revalued Earnings ("CARE") defined benefit pension scheme ("the Scheme").

The Scheme was closed to future accrual in April 2013. On the date of closure, all active members became deferred members and their past service benefits switched to being linked to deferred revaluation rather than CARE revaluation. The closure of the Scheme did not result in a curtailment gain or loss as past service benefits for active members were already linked to CARE revaluation and both CARE revaluation and deferred revaluation were linked to RPI Inflation. The same assumption had been adopted historically and the closure did therefore not change the value of the IAS 19 past service liabilities for the relevant members. The scheme has been closed to new entrants since 31 July 2002.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit liability was carried out as at 31 May 2019 by Mr. Sime, fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit liability was measured using the projected unit method.

Starting from October 2019, the scheme requires contributions from the employer of £4,250,000 per year with additional contributions as per recovery plan dated 8 October 2019. Total contributions for financial year 2020/2021 were £ 4,250,000. The employer shall also pay, as determined by the Scheme Actuary, the cost of any benefit augmentations, as per agreement between the Employer and Trustees.

The Scheme exposes the Company to inflation risk, interest rate risk, investment risk and longevity risk. The Board of Trustees ("the Trustees") are required by law to act in the best interests of the Scheme members and is responsible for setting the investment, funding and governance policies of the Scheme.

The Company has opted to recognise all actuarial gains and losses immediately in the Statement of Comprehensive Income.

Reconciliation of scheme liabilities and assets:

|                        | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|------------------------|----------------------------|----------------------------|
| Net liabilities        |                            |                            |
| At 1 September         | (19,641)                   | (19,495)                   |
| Interest cost          | (303)                      | (325)                      |
| Actuarial gain/(loss)  | 7,120                      | (3,680)                    |
| Employer contributions | 4,250                      | 4,250                      |
| Administration costs   | (498)                      | (391)                      |
| At 31 August           | (9,072)                    | (19,641)                   |
|                        | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
| Liabilities            |                            |                            |
| At 1 September         | 143,946                    | 143,077                    |
| Interest cost          | 2,401                      | 2,615                      |
| Actuarial loss         | 5,742                      | 1,674                      |
| Benefits paid          | (5,486)                    | (3,420)                    |
| At 31 August           | 146,603                    | 143,946                    |

Thomtons Limited

Notes to the Financial Statements (continued)  
For the year ended 31 August 2021

26 Pension commitments (continued)

|                        | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|------------------------|----------------------------|----------------------------|
| <b>Assets</b>          |                            |                            |
| At 1 September         | 124,305                    | 123,582                    |
| Interest income        | 2,098                      | 2,290                      |
| Actuarial gain/(loss)  | 12,862                     | (2,006)                    |
| Employer contributions | 4,250                      | 4,250                      |
| Benefits paid          | (5,486)                    | (3,420)                    |
| Administration costs   | (498)                      | (391)                      |
| At 31 August           | <u>137,531</u>             | <u>124,305</u>             |

The fair value of plan assets were as follows:

|                          | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|--------------------------|----------------------------|----------------------------|
| Equities                 | 30,550                     | 25,578                     |
| Bonds                    | 33,097                     | 31,401                     |
| Derivatives              | 57,849                     | 40,082                     |
| Other                    | 16,035                     | 27,244                     |
| <b>Total plan assets</b> | <u>137,531</u>             | <u>124,305</u>             |

Composition of plan liabilities:

|                                     | 31 August<br>2021<br>£'000 | 31 August<br>2020<br>£'000 |
|-------------------------------------|----------------------------|----------------------------|
| <b>Total</b>                        |                            |                            |
| Fair value of plan assets           | 137,531                    | 124,305                    |
| Present value of plan liabilities   | (146,603)                  | (143,946)                  |
| <b>Net pension scheme liability</b> | <u>(9,072)</u>             | <u>(19,641)</u>            |

The amounts recognised in the income statement are as follows:

|                                                       | Year ended<br>31 August<br>2021<br>£'000 | Year ended<br>31 August<br>2020<br>£'000 |
|-------------------------------------------------------|------------------------------------------|------------------------------------------|
| Interest on obligation                                | (303)                                    | (325)                                    |
| Administration costs                                  | (498)                                    | (391)                                    |
| <b>Total costs in the loss for the financial year</b> | <u>(801)</u>                             | <u>(716)</u>                             |

**Thorntons Limited**

**Notes to the Financial Statements (continued)**  
For the year ended 31 August 2021

**26 Pension commitments (continued)**

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

|                                                                            | 2021<br>% | 2020<br>% |
|----------------------------------------------------------------------------|-----------|-----------|
| Discount rate                                                              | 1.75      | 1.70      |
| Retail Price Index ("RPI") inflation Rate of increase to pensions payment: | 3.30      | 2.95      |
| - service after 6 April 1997                                               | 2.90      | 2.90      |
| Rate of increase to deferred pensions                                      | 3.30      | 2.95      |
| The mortality assumptions used were as follows (years):                    |           |           |
| - for a male aged 65 now                                                   | 22.0      | 21.2      |
| - at 65 for a male aged 45 now                                             | 23.0      | 22.2      |
| - for a female aged 65 now                                                 | 24.0      | 23.2      |
| - at 65 for a female member aged 45 now                                    | 25.6      | 24.9      |

The sensitivity of the defined benefit liability to changes in the weighted principal assumption is:

|                             | Deficit<br>£'000 | Impact on<br>IAS 19<br>liability<br>£'000 |
|-----------------------------|------------------|-------------------------------------------|
| Discount rate plus 0.25% pa | (1,959)          | 7,055                                     |
| RPI inflation plus 0.5% pa  | (20,681)         | (11,667)                                  |

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

**27 Related party transactions**

The Company, as a qualifying entity, is exempt from disclosing related party transactions with companies that are wholly owned within the Ferrero group. There are no other related party transactions.

**28 Controlling party**

The immediate parent undertaking is Ferrero International S.A., a Company incorporated in Luxembourg, as the ultimate parent undertaking and controlling entity. This is the smallest and largest group of which the Company is a member and for which group Financial Statements are prepared. Its principal place of business is 16, Route de Trèves, 2633 Senningerberg, Luxembourg and consolidated Financial Statements may be obtained from Tribunal d'Arrondissement Luxembourg, Registre de Commerce et des Sociétés de Luxembourg, BP 15, L-2010 Luxembourg.

**29 Events after the end or reporting period**

There are no significant events after balance-sheet date to report.