Company Registration No. 01726257 (England and Wales)

CLOETTA UK LIMITED

FORMERLY CANDYKING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
COMPANY INFORMATION

Directors	Mr Graham Richardson	
	Mr Lars Broberg	
	Mr Henri De Sauvage-Nolting	
	Mr Ewaldus Frenay	(Resigned 1 July 2018)
	Mr Danko Maras	(Resigned 1 July 2018)
	Mrs E C M Otten	(Appointed 1 July 2018 and resigned 1 December 2018)
	Mr M A Havermans	(Appointed 1 July 2018)
	Mr F P O Ryden	(Appointed 1 December 2018)
Secretary	Mr Lars Broberg	
Company number	01726257	
Registered office	Fort Southwick James Callaghan Drive Fareham Hampshire PO17 6AR	
Auditor	KPMG LLP Gateway House Tollgate Chandler's Ford Eastleigh Hampshire England SO53 3TG	

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
CONTENTS

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Review of Business
The results of the period show a profit of £637,316 (PY: pre-tax loss of -£58,954). Candyking UK Limited has net assets of £3,434,444 at the period end (PY: £2,797,128).

Whilst UK has seen value improvement driven by top line growth, the key movement from a loss in 2017 to a profit in 2018 *is driven by change in transfer pricing policy as the business now aligns to Cloetta accounting policy.*

Although the Directors felt that the Market in 2018 remained challenging, the Directors are satisfied with results overall and remain confident regarding future sales and value creation. The company's growth story continued in 2018, another year of top-line growth, the sixth consecutive year the Directors have reported this development.

In a competitive market the company saw strong sales growth in 2018, however, cost of sales remained high due to extensive promotional activity and in store activation. Higher cost of sales was not unexpected, this is a natural consequence of a longer-term strategy designed to drive increased sales for Pick & Mix as a category.

From a channel perspective, the business saw improved demand in Leisure and High Street, however, Grocery was broadly flat. Moving forward, the company remains committed to delivering continued growth in ALL major customer channels, high levels of promotional activity and activation are again seen as a key lever.

Future strategy, is in simple terms, a continuation of current strategy, the Directors feel this is working and supports the business' longer-term ambition, this being to drive penetration, relevance and continued interest in the category.

The company's core proposition, confectionery Pick & Mix, remains of paramount importance. Whilst some additional core distribution opportunities exist, future growth is about delivering more in existing customers, it is this fact that in turn drives the strategy recognising the need to drive both penetration and frequency of purchase.

The Company has merged with Cloetta UK Limited after the year end which will reduce their cost base in the UK.

The Directors remain focused on the longer term and are committed to driving sustainable like for like growth. Pick & Mix is an important category moving forward, from 2019 onwards, also complemented by Cloetta packed confectionery as the business transitions to Cloetta UK with full responsibility for ALL business sold within the UK.

From a sales and operational perspective, the company continues to demonstrate excellent cost control and the Directors believe current structure is fit for purpose. However, in preparation for change to Cloetta UK the business is also further strengthening in key area's to best manage what will be an enlarged business 2019 onwards.

Moving forward the Director's see many opportunities for the then enlarged confectionery business trading as Cloetta UK. In addition to incremental sales opportunities, opportunities also exist to drive improved profitability through identified efficiencies that should come with creating one Cloetta UK.

Results in 2018 were credible, whilst the company's financial development has been positive, post a year of integration and change management, the Directors see the new entity as a real opportunity to further accelerate value creation for the company in the UK moving forward.

Principal Risks and Uncertainties

Whilst there is always a risk that future sales will not be secured upon the expiry of any existing customer contract, the company is currently growing and the creation of Cloetta UK balances risk much better with a broader portfolio of products to sell, both Pick and Mix and Packed confectionery.

Nothing is taken for granted, the focus given to enhancing the customer experience and driving sales through trade marketing events will limit exposure in this area as Pick & Mix and Candyking specifically becomes increasing relevant in the broader confectionery category.

Outside of this, the company operates in a market that can be subject to significant rises in both commodity pricing and the associated cost to serve. It therefore must have a robust pricing strategy that ensures any legitimate cost increases are recoverable from its customers.

There is also uncertainty surrounding Brexit and how this will leave the UK Markets as a whole. As it stands, the consequences of leaving the EU are relatively unknown and it is hard to assess how much Cloetta UK Limited will be impacted, if at all.

Key performance indicators

Although the Directors felt that the Market in 2018 remained challenging, the Directors are satisfied with the results as the company performed well against the two key financial KPIs, volume and EBIT growth vs the previous year. Volume increased by 4.14% from 7,002 tonnes to 7,292 tonnes while EBIT increased by 3.65% from £1,205k to £1,249k. This strong story means that the Directors remain confident regarding future sales and value creation. The company's growth story was the sixth consecutive year the Directors have reported this development.

Financial Risks

Candyking applies the detailed Financial Policy set by Cloetta Ab Group which covers all aspects of Financial Strategy including the financing policy, cash management policy, interest-rate risk policy and currency risk policy.

Foreign currency exchange rate risk

As a consequence of its international activities, Candyking is exposed to changes in foreign exchange rates. These exposures derive primarily from purchases in foreign currencies (transaction exposure) or from holdings of foreign net assets, debtors and creditors, in currencies other than GBP (translation exposure). Transaction exposure is present since sales are mainly denominated in the local currency (GBP) and purchasing is denominated in a number of currencies (EUR, SEK, GBP).

The company has taken steps to mitigate transaction risk by maintaining a proportion of its purchases with UK suppliers. In addition, where possible, income from sales in Euros is retained in a Euro bank account to naturally hedge against purchases settled in Euros.

Liquidity risk

Liquidity risk is minimised by matching cash surpluses and deficits between group companies within a cash pool in order to use the additional credit facilities as efficiently and seldom as possible.

The company has policies that require appropriate credit checks on potential customers before sales are made.

Price risk

The company is exposed to price risk as a result of its operations. The risk associated with increased commodity prices are mitigated by a Group Purchasing department who review the market and liaise with current and potential suppliers on an ongoing basis.

On behalf of the board

....
Mr Graham Richardson
Director

..............27/6/19

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities
The principal activity of the company continued to be that of confectionery importer, exporter and provider of a confectionery Pick and Mix concept within the United Kingdom.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Graham Richardson	
Mr Lars Broberg	
Mr Henri De Sauvage-Nolting	
Mr Ewaldus Frenay	(Resigned 1 July 2018)
Mr Danko Maras	(Resigned 1 July 2018)
Mrs E C M Otten	(Appointed 1 July 2018 and resigned 1 December 2018)
Mr M A Havermans	(Appointed 1 July 2018)
Mr F P O Ryden	(Appointed 1 December 2018)

Results and dividends
The results for the year are set out on page 9.

No dividends will be distributed for the year ended 31 December 2018 (2017: Nil).

No preference dividends were paid (2017:Nil).

Post reporting date events
Cloetta AB purchased Candyking Holdings Limited in April 2017, who was at the time the ultimate parent of Candyking UK Ltd. As part of the consolidation process, since the year end the trade including all assets and liabilities of Cloetta UK Limited was transferred to Candyking UK at fair value. Once the transfer was completed Cloetta UK Limited applied for a voluntary strike off and Candyking UK Ltd changed it's name to Cloetta UK Limited.

Future developments
Growing sales remains the key future priority. The creation of one Cloetta UK organisation, this then combining Packed with Pick & Mix, this should be a real accelerator with respect to both sales and value creation in the UK.

The Directors acknowledge that short term there is significant change management required to create a solid and profitable platform for growth, expectation short term is that significant change management is required, 2020 onwards perhaps being the first year of materially improved results because of changing strategy and approach.

Going concern
The financial statements have been prepared on the going concern basis of accounting. This presumes that the combined entity will remain in operational existence for the foreseeable future. The directors have received continued financial support for the foreseeable future, and for at least 12 months from the date of signing these accounts, from the ultimate parent undertaking. Accordingly, the company continue to trade as a Going Concern.

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

PWC LLP have been appointed as auditors to the company, in accordance with section 485 of the Companies Act 2006, for the next financial year.

Political donations

The company has made no political donations in the year (2017: Nil).

On behalf of the board

....

Mr Graham Richardson

Director

Date: 27/6/19

Fort Southwick
James Callaghan Drive
Fareham
Hampshire
PO17 6AR

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLOETTA UK LIMITED

Opinion

We have audited the financial statements of Cloetta UK Limited (formally Candyking UK Limited) ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss account, Statement of Financial Income, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by directors, such as the recoverability of deferred tax assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLOETTA UK LIMITED

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:
we have not identified material misstatements in the strategic report and the directors' report;

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CLOETTA UK LIMITED

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

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

C. J. Griffiths

28 June 2019

Caroline Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants and Statutory Auditor
Gateway House
Tollgate
Chandler's Ford
Eastleigh
Hampshire
England
SO53 3TG

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	22,967,405	21,960,894
Cost of sales		(16,335,894)	(15,511,848)
Gross profit		6,631,511	6,449,046
Distribution costs		(688,884)	(636,460)
Administrative expenses		(5,097,627)	(5,997,834)
Operating profit/(loss)	4	845,000	(185,248)
Interest payable and similar expenses	7	(31,821)	(60,495)
Profit/(loss) on disposal of operations		-	186,610
Profit/(loss) before taxation		813,179	(59,133)
Taxation	8	(175,863)	179
Profit/(loss) for the financial year		637,316	(58,954)

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Profit/(loss) for the year	637,316	(58,954)
Other comprehensive income	-	-
Total comprehensive income for the year	637,316	(58,954)

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	9		77,283		-
Tangible assets	10		1,494,658		1,871,247
Investments	11		2		2
			1,571,943		1,871,249
Current assets					
Stocks	13	2,212,680		1,595,268	
Debtors falling due after one year	14	573,832		853,349	
Debtors falling due within one year	14	3,898,761		4,487,670	
		6,685,273		6,936,287	
Creditors: amounts falling due within one year	15	(4,822,772)		(6,010,408)	
Net current assets			1,862,501		925,879
Total assets less current liabilities			3,434,444		2,797,128
Capital and reserves					
Called up share capital	19		3,092,271		3,092,271
Other reserves	20		4,009,653		4,009,653
Capital redemption reserve			4,379		4,379
Profit and loss reserves			(3,671,859)		(4,309,176)
Total equity			3,434,444		2,797,128

The financial statements were approved by the board of directors and authorised for issue on 27/6/19 and are signed on its behalf by:

27/6/19
....
Mr Graham Richardson
Director

Company Registration No. 01726257

CLOETTA UK LIMITED
FORMERLY CANDYKING UK LIMITED
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 January 2017	3,092,271	4,379	4,009,653	(4,250,221)	2,856,082
Year ended 31 December 2017:					
Loss and total comprehensive income for the year	-	-	-	(58,954)	(58,954)
Balance at 31 December 2017	3,092,271	4,379	4,009,653	(4,309,175)	2,797,128
Year ended 31 December 2018:					
Profit and total comprehensive income for the year	-	-	-	637,316	637,316
Balance at 31 December 2018	3,092,271	4,379	4,009,653	(3,671,859)	3,434,444

1 Accounting policies

Company information

Cloetta UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Fort Southwick, James Callaghan Drive, Fareham, Hampshire, PO17 6AR.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Cloetta UK Limited is a wholly owned subsidiary of the Cloetta AB group and the results of Cloetta UK Limited are included in the consolidated financial statements of Cloetta AB Group which are available from Englundavägen 7, Solna, Sweden and at cloetta.com.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its ultimate company, Cloetta AB, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Cloetta AB providing additional financial support during that period. Cloetta AB has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

1 Accounting policies

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

At the time of approving the financial statements, the directors have reasonable expectation that the company has adequate resources to continue in operational existence of the foreseeable future. The entity has net current assets of £1,862,501 (2017:£925,879) and net assets of £3,434,444 (2017: £2,797,128). The Company forecasts to make profits in the next financial period and beyond. The company has merged with Cloetta UK Limited which will reduce their cost base in the UK. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents income derived from ordinary activities, net of trade discounts, rebates and value added tax and is recognised on the delivery of goods at which point the risks and rewards of ownership are deemed to pass to the customer. Rebates are deducted as they are considered to be effective discounts.

Profit/(loss) on disposal of operations represents the disposal of a subsidiary in the prior year. There are no such transactions in the current year.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	Straight line over 5 years

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	Straight line over 2 to 5 years
Motor vehicles	Straight line over 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets. A provision is made for any impairment loss and taken to the profit and loss account.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, on an average basis. The cost includes all costs in bringing the product to its location and condition. Provision is made where necessary for obsolete and slow moving stock.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company only enters into Basic financial instrument transactions.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Other financial liabilities
Financial assets and liabilities classified as receivable or payable within one year are not amortised.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies

Current tax

The current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred tax

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in the tax assessments.

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

The company's liability for current and deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions, At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.17 Rebates

Rebates are accrued for over the period for which they relate. The company issues rebates to customers based on the relevant sales activity in the financial year for the purpose of contributing towards the marketing costs for the company's products.

1.18 Preference Shares

Preference shares contractual terms are considered when deciding on how to treat them in the financial statements. Where the preference shares are redeemable for a fixed or determinable amount at a fixed date or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability. Otherwise it will be included within equity.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Rebates
The company accrues for marketing rebates based on the relevant sales activity in the financial year. This requires the company to estimate the future cashflow expected to be payable.

Taxation
The deferred tax asset is estimated based upon the likely level and timing of future profits together with the effect of future changes in tax rates. Future profits are based on expected trading activity of the company. The rate used is based upon when it is expected the deferred tax will be reversed.

Classification of preference shares
The preference shares have been treated as equity as there are no regular dividends paid or accrued on the shares.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Sale of confectionery	22,967,405	21,960,894

	2018	2017
	£	£
Turnover analysed by geographical market		
United Kingdom	21,560,781	20,876,116
Europe	1,371,054	1,065,399
Outside Europe	35,570	19,379
	22,967,405	21,960,894

4 Operating profit/(loss)

	2018	2017
Operating profit/(loss) for the year is stated after charging:	£	£
Exchange losses	290,448	536,774
Fees payable to the company's auditor for the audit of the company's financial statements	21,000	18,000
Depreciation of owned tangible fixed assets	629,797	614,084
Loss on disposal of tangible fixed assets	1,939	71,775
Amortisation of intangible assets	19,321	-
Operating lease charges	197,393	184,810

4 Operating profit/(loss)

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £290,448 (2017 - £536,774).

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Administration and finance	3	3
Distribution	6	5
Sales and marketing	218	224
	227	232

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,527,532	2,396,631
Social security costs	155,156	175,659
Pension costs	67,395	65,882
	2,750,083	2,638,172

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	154,571	166,044
Company pension contributions to defined contribution schemes	16,391	15,853
	170,962	181,897

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

The other directors receive remuneration for their services from Cloetta AB.

7 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	10,871	10,555
Other interest	20,950	49,940
	31,821	60,495

8 Taxation

	2018	2017
	£	£
Deferred tax		
Origination and reversal of timing differences	145,201	(179)
Changes in tax rates	30,662	-
Total deferred tax	175,863	(179)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit/(loss) before taxation	813,179	(59,133)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	154,504	(11,383)
Tax effect of expenses that are not deductible in determining taxable profit	6,109	1,284
Effect of change in corporation tax rate	15,250	9,920
Taxation charge/(credit) for the year	175,863	(179)

9 Intangible fixed assets

	Software
	£
Cost	
At 1 January 2018	-
Transfers	96,604
At 31 December 2018	96,604
Amortisation and impairment	
At 1 January 2018	-
Amortisation charged for the year	19,321
At 31 December 2018	19,321
Carrying amount	
At 31 December 2018	77,283
At 31 December 2017	-

10 Tangible fixed assets

	Assets under construction	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2018	96,604	6,387,925	40,250	6,524,779
Additions	-	351,751	-	351,751
Disposals	-	(14,219)	-	(14,219)
Transfers	(96,604)	-	-	(96,604)
At 31 December 2018	-	6,725,457	40,250	6,765,707
Depreciation and impairment				
At 1 January 2018	-	4,651,519	2,013	4,653,532
Depreciation charged in the year	-	621,747	8,050	629,797
Eliminated in respect of disposals	-	(12,280)	-	(12,280)
At 31 December 2018	-	5,260,986	10,063	5,271,049
Carrying amount				
At 31 December 2018	-	1,464,471	30,187	1,494,658
At 31 December 2017	96,604	1,736,406	38,237	1,871,247

11 Fixed asset investments

	Notes	2018 £	2017 £
Investments in subsidiaries	12	2	2

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2018 & 31 December 2018	2
Carrying amount	
At 31 December 2018	2
At 31 December 2017	2

12 Subsidiaries

The company has taken advantage of the exemption under section 400 of The Companies Act 2006 not to prepare consolidated accounts.

The consolidated financial statements of this group are available to the public at Englundavägen 7, Solna, Sweden and at cloetta.com.

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct	% Held Indirect	Carrying Value
Cloetta UK Dormant Limited	UK	Wholesale confectionery	Subsidiary	100.00	-	1
FTF Sweets USA Inc	USA	Dormant	Subsidiary	100.00	-	1

Registered Office addresses:

UK Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom

USA 1C 28 Cheswold Boulevard, City of Newark, New Castle, 19713, United States of America

12 Subsidiaries

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
FTF Sweets USA Inc	0	0
Cloetta UK Dormant Limited	(930,757)	(6,147,318)

The investment in the subsidiaries is stated at cost.

13 Stocks

	2018	2017
	£	£
Finished goods and goods for resale	2,212,680	1,695,268

14 Debtors

	2018	2017
Amounts falling due within one year:	£	£
Trade debtors	3,487,617	4,130,634
Amounts owed by group undertakings	68,964	11,026
Other debtors	79,637	147,060
Prepayments	9,583	39,644
	3,635,801	4,328,364
Deferred tax asset (note 17)	262,960	159,306
	3,898,761	4,487,670

	2018	2017
Amounts falling due after more than one year:	£	£
Deferred tax asset (note 17)	573,832	853,349
Total debtors	4,472,593	5,341,019

15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	16	251,672	1,087,269
Trade creditors		1,917,313	2,671,850
Amounts owed to group undertakings		674,274	354,156
Taxation and social security		597,597	644,330
Accruals		1,381,916	1,252,803
		4,822,772	6,010,408

16 Loans and overdrafts

	2018 £	2017 £
Bank overdrafts	251,672	1,087,269
Payable within one year	251,672	1,087,269

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Assets 2018 £	Assets 2017 £
Accelerated capital allowances	53,795	32,363
Tax losses	782,997	980,292
	836,792	1,012,655

Movements in the year:	2018 £
Liability/(Asset) at 1 January 2018	(1,012,655)
Charge to profit or loss	145,201
Effect of change in tax rate - profit or loss	30,662
Liability/(Asset) at 31 December 2018	(836,792)

17 Deferred taxation

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

18 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	67,395	65,882

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost shown in the employees note of £67,395 (2017: £65,882) represents contributions payable by the company to a defined contribution fund administered by Benefex and held with Scottish Equitable. Outstanding contributions due to the fund at the balance sheet date of £nil (2017: £nil) are included within other creditors.

19 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
7,956 Ordinary of £1 each	7,956	7,956
7,665 "B" Ordinary of £1 each	7,665	7,665
3,000,000 Redeemable of £1 each	3,000,000	3,000,000
	3,015,621	3,015,621
Preference share capital		
Issued and fully paid		
76,650 Preferred of £1 each	76,650	76,650

The ordinary shares, 'B' ordinary shares and preferred shares rank pari passu for voting purposes. If a dividend is declared on the ordinary shares or 'B' ordinary shares, the preferred shares are ignored for the purpose of calculating the entitlement of the holders of the ordinary shares or 'B' ordinary shares to any dividend declared. However, as regards the holder of the ordinary shares or 'B' ordinary shares, the preferred shares shall be entitled to receive 98% of any dividend declared and the ordinary or 'B' ordinary shares shall be entitled to 2% of any such dividend.

The redeemable shares have no dividend or voting rights and will be entitled to a return of capital only, on a winding-up of the company. There are no restrictions on the date of redemption, and redemption is at the option of the shareholder. No premiums are payable on redemption.

20 Other reserves

Included with other reserves are amounts paid by former parent as capital contribution. At the end of the year the total contributed was £4,009,653 (2017: £4,009,653).

21 Operating lease commitments

Lessee

Operating lease payments represent payable rentals payable by the company in respect of property and motor vehicles used. The contract term in relation to the property concludes on 31 July 2024, although this includes a break date of 31 July 2020.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£	£
Within one year	114,533	115,651
Between two and five years	193,501	227,908
In over five years	17,500	52,500
	325,534	396,059

22 Related party transactions

As the company is a wholly owned subsidiary of the Cloetta AB group, the company has taken advantage of the exemption contained in FRS 102 'Related Party Disclosures' and has therefore, not disclosed transactions or balances with entities which form part of that group.

The company considers key management to be the statutory directors so therefore the amount paid to key management personnel is equal to director's remuneration.

23 Ultimate controlling party

The parent company of Candyking UK Limited is E Out Instrument Ab, which is incorporated in Sweden.

The ultimate parent company is Cloetta Ab which is incorporated in Sweden.

Cloetta Ab is the smallest and largest group to consolidate the results of the company.

The consolidated financial statements of this group are available to the public at Englundavägen 7, Solna, Sweden and at cloetta.com