Divine Chocolate Limited

Annual Report and Financial Statements

For the year ended 30 June 2020

Company Registration No. 03433202 (England and Wales)

Divine Chocolate Limited

Company Information

Directors	F Ali	
	C Budde	(Appointed 29 May 2020)
	J Lindemann	(Appointed 29 May 2020)
	S Bundy	(Appointed 29 May 2020)
	N Adubofour	(Appointed 28 September 2020)
Company number	03433202	
Registered office	Sustainable Workspaces Riverside Building County Hall 3rd Westminster Bridge Road London SE1 7PB	
Auditor	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Business address	Sustainable Workspaces Riverside Building County Hall 3rd Westminster Bridge Road London SE1 7PB	

Divine Chocolate Limited

Contents

Divine Chocolate Limited

Strategic Report

For the year ended 30 June 2020

The directors present the strategic report for the year ended 30 June 2020.

Business review
The principal activity of the group during the year was the marketing and distribution of fair trade chocolate products.

Divine's turnover of £13.3 million shows an 8% decrease on last year, primarily as a direct result of the coronavirus pandemic.

Over the last year we have continued our work with cocoa farmers in Ghana, the cocoa farmers in Sao Tome who supply our fair trade organic range, and supporting cocoa farmers living in the Gola Rainforest in Sierra Leone. This work is completed through our Producer Support and Development fund where the projects we undertake have included labour rights, sustainable agriculture, empowerment of women, and learning and literacy.

We also continue to support the sugar farmers in Malawi.

Principal risks and uncertainties
Continued uncertainty regarding the opening of businesses as a result of the coronavirus pandemic. This has impacted our food service customers and certain retail customers of the group having an impact on revenue. The g roup has attempted to mitigate these risks by utilizing government assistance where required including the government furlough scheme, application to the Bounce Back loan scheme, deferment of VAT payments, and the US subsidiary has taken advantage of the Paycheck Protection Program.

Key performance indicators
Divine continues to closely monitor both rates of sale in its key customers and customer contribution to overheads.

Other performance indicators
The business continues to develop new products. Key listings for the organic range are being negotiated in the US.

On behalf of the board

C Budde
Director
28 June 2021

The directors present their annual report and financial statements for the year ended 30 June 2020.

Principal activities
The principal activity of the company and group continued to be that of confectionary manufacturing and selling.

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

F Ali	
J M Archer	(Appointed 9 July 2019 and resigned 29 May 2020)
N A Beart	(Appointed 6 November 2019 and resigned 29 May 2020)
S Adimado	(Appointed 29 May 2020 and resigned 18 September 2020)
C Budde	(Appointed 29 May 2020)
J Lindemann	(Appointed 29 May 2020)
S Bundy	(Appointed 29 May 2020)
N Adubofour	(Appointed 28 September 2020)
C R Pinto	(Resigned 9 July 2019)
R J Anstead	(Resigned 5 November 2019)
T G Gull	(Resigned 21 November 2019)
D Croft	(Resigned 26 November 2019)
P M Tiffen	(Resigned 26 November 2019)
W M Tomlinson	(Resigned 3 February 2020)
D Upton	(Resigned 28 February 2020)
J Averdieck	(Resigned 29 May 2020)
T P Pearley	(Resigned 29 May 2020)
S Tranchell	(Resigned 29 May 2020)

Results and dividends
The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Auditor
Moore Kingston Smith were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

C Budde
Director
28 June 2021

Opinion

We have audited the financial statements of Divine Chocolate Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the Profit And Loss Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2020 and of its for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery. intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.

Mahmood Ramji (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

28 June 2021

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Divine Chocolate Limited

Group Profit and Loss Account

For the year ended 30 June 2020

	Notes	2020 £	2019 £
Turnover	3	13,226,173	14,287,277
Cost of sales		(8,837,711)	(10,903,699)
Gross profit		4,388,462	3,383,578
Administrative expenses		(5,873,516)	(4,371,011)
Other operating income		88,577	51,421
Operating loss	4	(1,396,477)	(936,012)
Interest receivable and similar income	8	5,742	710
Interest payable and similar expenses	9	(67,434)	(30,393)
Loss before taxation		(1,458,169)	(965,695)
Tax on loss	10	9,314	36,669
Loss for the financial year		(1,448,855)	(929,026)

Loss for the financial year is all attributable to the owners of the parent company.

Divine Chocolate Limited

Group Statement of Comprehensive Income

For the year ended 30 June 2020

	2020 £	2019 £
Loss for the year	(1,448,855)	(929,026)
Other comprehensive income		
Currency translation differences	48,243	47,418
Total comprehensive income for the year	(1,400,612)	(881,608)

Total comprehensive income for the year is all attributable to the owners of the parent company.

Divine Chocolate Limited

Group Balance Sheet

As at 30 June 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Goodwill	**11**		122,322		244,645
Tangible assets	**12**		72,598		93,381
			194,920		338,026
Current assets					
Stocks	**16**	3,205,998		3,417,542	
Debtors	**17**	1,348,151		2,372,691	
Cash at bank and in hand		743,506		167,170	
		5,297,655		5,957,403	
Creditors: amounts falling due within one year	**18**	(4,175,120)		(3,519,445)	
Net current assets			1,122,535		2,437,958
Total assets less current liabilities			1,317,455		2,775,984
Creditors: amounts falling due after more than one year	**19**		(533,100)		(591,017)
Net assets			784,355		2,184,967
Capital and reserves					
Called up share capital	**22**		813,118		813,118
Share premium account			255,618		255,618
Capital redemption reserve			15,000		15,000
Other reserves			266,882		218,639
Profit and loss reserves			(566,263)		882,592
Total equity			784,355		2,184,967

The financial statements were approved by the board of directors and authorised for issue on 28 June 2021 and are signed on its behalf by:

C Budde
Director

Divine Chocolate Limited

Company Balance Sheet

As at 30 June 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	**12**		33,800		47,963
Investments	**13**		1,077,537		1,077,537
			1,111,337		1,125,500
Current assets					
Stocks	**16**	1,239,579		1,579,347	
Debtors	**17**	1,545,313		1,371,954	
Cash at bank and in hand		428,597		25,358	
		3,213,489		2,976,659	
Creditors: amounts falling due within one year	**18**	(2,232,973)		(2,167,125)	
Net current assets			980,516		809,534
Total assets less current liabilities			2,091,853		1,935,034
Creditors: amounts falling due after more than one year	**19**		(327,924)		-
Net assets			1,763,929		1,935,034
Capital and reserves					
Called up share capital	**22**		813,118		813,118
Share premium account			255,618		255,618
Capital redemption reserve			15,000		15,000
Profit and loss reserves			680,193		851,298
Total equity			1,763,929		1,935,034

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £171,105 (2019 - £438,266 loss).

The financial statements were approved by the board of directors and authorised for issue on 28 June 2021 and are signed on its behalf by:

C Budde
Director

Company Registration No. 03433202

Group Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£	£
Balance at 1 July 2018	813,118	255,618	15,000	171,221	1,811,618	3,066,575
Year ended 30 June 2019:						
Loss for the year	-	-	-	-	(929,026)	(929,026)
Other comprehensive income:						
Currency translation differences	-	-	-	47,418	-	47,418
Total comprehensive income for the year	-	-	-	47,418	(929,026)	(881,608)
Balance at 30 June 2019	813,118	255,618	15,000	218,639	882,592	2,184,967
Year ended 30 June 2020:						
Loss for the year	-	-	-	-	(1,448,855)	(1,448,855)
Other comprehensive income:						
Currency translation differences on overseas subsidiaries	-	-	-	48,243	-	48,243
Total comprehensive income for the year	-	-	-	48,243	(1,448,855)	(1,400,612)
Balance at 30 June 2020	813,118	255,618	15,000	266,882	(566,263)	784,355

Divine Chocolate Limited

Company Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital	Share premium account	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 July 2018	813,118	255,618	15,000	1,289,564	2,373,300
Year ended 30 June 2019:					
Loss and total comprehensive income for the year	-	-	-	(438,266)	(438,266)
Balance at 30 June 2019	813,118	255,618	15,000	851,298	1,935,034
Year ended 30 June 2020:					
Loss and total comprehensive income for the year	-	-	-	(171,105)	(171,105)
Balance at 30 June 2020	813,118	255,618	15,000	680,193	1,763,929

Group Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	**27**		52,100		(754,107)
Interest paid			(67,434)		(30,393)
Income taxes refunded/(paid)			36,821		(5,501)
Net cash inflow/(outflow) from operating activities			21,487		(790,001)
Investing activities					
Proceeds on disposal of intangibles		-		12,000	
Purchase of tangible fixed assets		(10,633)		(68,736)	
Interest received		5,742		710	
Net cash used in investing activities			(4,891)		(56,026)
Financing activities					
Net proceeds from bank loans		512,679		553,000	
Dividends paid to equity shareholders		-		(41,520)	
Net cash generated from financing activities			512,679		511,480
Net increase/(decrease) in cash and cash equivalents			529,275		(334,547)
Cash and cash equivalents at beginning of year			167,170		454,299
Effect of foreign exchange rates			47,061		47,418
Cash and cash equivalents at end of year			743,506		167,170

1 Accounting policies

Company information

Divine Chocolate Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Sustainable Workspaces, Riverside Building County Hall, 3rd Westminster Bridge Road, London, SE1 7PB.

The group consists of Divine Chocolate Limited and all of its subsidiaries.

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 a mounts 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.

The 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 for the company information presented within the consolidated financial statements:

- 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 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

In the company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

1 Accounting policies **(Continued)**

The consolidated financial statements incorporate those of Divine Chocolate Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the balance sheet date, the group had net assets of £784,355 (2019: £2,184,967) after making a loss after tax for the year of £1,448,855 (2019: £929,026). It also worth noting that the group had net current assets of £1,122,535 (2019: £2,437,958) with cash balance of £743,506 (2019: £167,170) as at the balance sheet date. The directors have considered the impact of coronavirus and the measures taken both in the UK and overseas on the company, which has impacted by reduced demand during lockdowns, particular in the UK during lockdowns.

The group has received confirmation of support from the parent company, which has agreed to provide support by not recalling the loan provided to the group of £491,886 at the year end for at least 12 months from the date of approval of these financial statements. The company has also obtained external borrowing facilities in the UK and US.

As a result, the directors believe that the group and company will be able to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. Therefore, the financial statements have been prepared on a going concern basis.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, this is at the date of delivery of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies (Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 7 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 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 and fittings	Between 20% and 33% straight line basis.
IT equipment	Between 20% and 67% straight line basis.
Plant and Machinery	20% straight line basis.

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 recognised in the profit and loss account.

1.7 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1 Accounting policies **(Continued)**

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.

1.10 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset and 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 m ethod 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. Financial assets classified as receivable within one year are not amortised.

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.

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.

1 Accounting policies **(Continued)**

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 group 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 group after deducting all of its 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. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

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

1 Accounting policies **(Continued)**

1.13 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.14 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 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.

1.16 Retirement benefits

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

1 Accounting policies **(Continued)**

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

1.18 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.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Recoverable value of recognised debtors

The recoverability of trade and other debtors is regularly reviewed in light of available economic information specific to each debtor and provisions are recognised for the balances considered to be doubtful or irrecoverable.

Stock valuation

Stock is valued at the lower of cost and net realisable value. Management identifies obsolete or slow moving stock against which provisions are made.

Goodwill

Goodwill is reviewed by the directors at each year end for impairment. The directors take into consideration forecasts and future probably cash flows likely to arise from the Goodwill in the group and if necessary impair goodwill.

Investments

At each period end the directors review the carrying value of investment for impairment. The directors take into consideration forecasts and future probable cash flows likely to arise form the investment held. Where the net present value of the cash flow does not exceed the investment value an impairment of the investment is made.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	13,185,124	14,284,758
Other income	41,049	2,519
	13,226,173	14,287,277

	2020	2019
	£	£
Other significant revenue		
Interest income	5,742	710

Geographical split of turnover has not been disclosed as in the opinions of the directors this would be prejudicial to the interests of the group.

4 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging:		
Exchange losses	120,696	66,935
Depreciation of owned tangible fixed assets	32,598	31,327
Amortisation of intangible assets	122,323	122,323
Operating lease charges	171,068	165,596

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 £120,696 (2019: £66,935)

5 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	27,750	25,000
Audit of the financial statements of the company's subsidiaries	-	10,000
	27,750	35,000

During the year the audit for the entire group was completed by the parent company's auditor.

6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Distribution	5	5	2	2
Administration	14	12	8	8
Development	4	3	4	3
Marketing	6	6	3	3
Sales	10	10	5	5
	39	36	22	21

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	1,845,865	1,677,335	889,130	822,544
Social security costs	182,167	171,198	77,549	79,239
Pension costs	122,175	86,687	66,740	61,360
	2,150,207	1,935,220	1,033,419	963,143

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	199,598	379,961
Company pension contributions to defined contribution schemes	13,188	20,382
	212,786	400,343

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	105,848	150,984
Company pension contributions to defined contribution schemes	8,148	4,398

8 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	5,742	710

Investment income includes the following:

	2020	2019
Interest on financial assets not measured at fair value through profit or loss	5,742	710

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	67,434	30,393

10 Taxation

	2020	2019
	£	£
Current tax		
Corporation tax on profits for the current period	(9,314)	(36,669)

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

	2020	2019
	£	£
Loss before taxation	(1,458,169)	(965,695)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(277,052)	(183,482)
Tax effect of expenses that are not deductible in determining taxable profit	32,739	-
Unutilised tax losses carried forward	244,832	104,282
Permanent capital allowances in excess of depreciation	(519)	-
Research and development tax credit	-	(42,000)
Effect of overseas tax rates	(9,314)	63,800
Effect of consolidated adjustments	-	20,731
Taxation credit for the year	(9,314)	(36,669)

11 Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1 July 2019 and 30 June 2020	856,260
Amortisation and impairment	
At 1 July 2019	611,615
Amortisation charged for the year	122,323
At 30 June 2020	733,938
Carrying amount	
At 30 June 2020	122,322
At 30 June 2019	244,645

The company had no intangible fixed assets at 30 June 2020 or 30 June 2019.

12 Tangible fixed assets

Group	Fixtures and fittings	IT equipment	Plant and Machinery	Total
	£	£	£	£
Cost				
At 1 July 2019	68,621	40,221	89,336	198,178
Additions	5,947	1,954	2,732	10,633
Exchange adjustments	328	1,078	566	1,972
At 30 June 2020	74,896	43,253	92,634	210,783
Depreciation and impairment				
At 1 July 2019	33,755	14,512	56,530	104,797
Depreciation charged in the year	12,361	7,641	12,596	32,598
Exchange adjustments	124	389	277	790
At 30 June 2020	46,240	22,542	69,403	138,185
Carrying amount				
At 30 June 2020	28,656	20,711	23,231	72,598
At 30 June 2019	63,675	25,709	32,806	93,381

12 Tangible fixed assets (Continued)

Company	Fixtures and fittings	Plant and Machinery	Total
	£	£	£
Cost			
At 1 July 2019	54,770	68,187	122,957
Additions	-	2,732	2,732
At 30 June 2020	54,770	70,919	125,689
Depreciation and impairment			
At 1 July 2019	28,809	46,185	74,994
Depreciation charged in the year	8,831	8,064	16,895
At 30 June 2020	37,640	54,249	91,889
Carrying amount			
At 30 June 2020	17,130	16,670	33,800
At 30 June 2019	54,770	22,002	47,963

13 Fixed asset investments

		Group		Company	
		2020	2019	2020	2019
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	1,077,537	1,077,537

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 July 2019 and 30 June 2020	1,077,537
Carrying amount	
At 30 June 2020	1,077,537
At 30 June 2019	1,077,537

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Divine Chocolate Inc.	United States	Distribution and marketing of Fairtrade Chocolate products.	Ordinary	100.00	0
Divine Chocolate Scandinavia AB	Sweden	Distribution and marketing of Fairtrade Chocolate products.	Ordinary	100.00	0

15 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,041,501	2,057,780	1,325,796	1,231,095
Instruments measured at fair value through profit or loss	149,252	65,000	149,252	65,000
Carrying amount of financial liabilities				
Measured at amortised cost	4,391,500	3,945,955	2,232,973	2,002,618

16 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	3,205,998	3,417,542	1,239,579	1,579,347

17 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	**£**	**£**	**£**	**£**
Trade debtors	901,367	2,017,627	562,920	694,670
Corporation tax recoverable	14,933	42,440	13,888	42,270
Amounts due from group undertakings	-	-	652,680	522,575
Derivative financial instruments	149,252	65,000	149,252	65,000
Other debtors	140,134	40,153	110,196	13,850
Prepayments and accrued income	142,465	207,471	56,377	33,589
	1,348,151	2,372,691	1,545,313	1,371,954

18 Creditors: amounts falling due within one year

	Notes	Group 2020	2019	Company 2020	2019
		£	**£**	**£**	**£**
Bank loans and overdrafts	20	570,596	-	282,204	-
Trade creditors		2,143,116	1,819,213	1,043,959	778,546
Other taxation and social security		337,300	164,507	326,046	164,507
Other creditors		41,994	668,178	4,656	668,179
Accruals and deferred income		1,082,114	867,547	576,108	555,893
		4,175,120	3,519,445	2,232,973	2,167,125

19 Creditors: amounts falling due after more than one year

	Notes	Group 2020	2019	Company 2020	2019
		£	**£**	**£**	**£**
Bank loans and overdrafts	20	533,100	591,017	327,924	-

20 Loans and overdrafts

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Bank loans	1,035,454	591,017	541,886	-
Bank overdrafts	68,242	-	68,242	-
	1,103,696	591,017	610,128	-
Payable within one year	570,596	-	282,204	-
Payable after one year	533,100	591,017	327,924	-

The long-term loans are secured by fixed charges over the assets of the company.

The bank loans represent the following:

Divine Chocolate Limited has a Coronavirus Business Interruption Loan totalling £50,000. The loan incurs interest at 3.10% and is secured by a fixed and floating charge over all assets of the company. The loan is repayable in sixty monthly instalments commencing twelve months from the date of drawdown.

Divine Chocolate Limited has a loan with Ludwig Weinrich GmbH & Co KG totalling EUR 540,000. This loan incurs interest at 4.25% and is repay annually over 3 years and is secured by a fixed charge over all assets of the company

Divine Chocolate Inc has a loan with the Small Business Administration totalling $150,000. This loan has interest of 3.75%. This is repayable monthly over 30 years commencing twelve months from the date of drawdown.

Divine Chocolate Inc has a loan with the Small Business Administration totalling $210,000. This loan has interest of 1%. This is repayable monthly over two years commencing six months from the date of drawdown.

Divine Chocolate Inc. also has a Line of Creditor with PNC Bank, National Association during the year. Amounts outstanding bear interest at a rate per annum equal to daily LIBOR rate plus 3%. The amount outstanding at the end of the year is $250,000.

21 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	122,175	94,193

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share capital

	Group and company	
	2020	2019
Ordinary share capital	£	£
Issued and fully paid		
1,380 Ordinary shares of 10p each	138	138
Deferred share capital		
Issued and fully paid		
812,980 Preference shares of £1 each	812,980	-
Preference share capital		
Issued and fully paid		
812,980 Preference shares of £1 each	-	812,980

Preference shareholders were entitled to a fixed non-cumulative dividend of 7% per annum subject to approval by the board of directors or if an ordinary dividend is declared. On liquidation preference shareholders are entitled to repayment in priority to any other shareholders. On 29 May 2020, and as part of the transaction with the change in ownership, the board passed a written resolution re-designating the rights of the preference shares to that of deferred shares. These new rights allow the holders of deferred shares to received a distribution on a liquidation or winding up of the company, after the holders of the ordinary shares have received the sum of £1,000,000 per share.

23 Forward contracts

At the year end the group and the company were committed to purchasing a total of EUR 3,070,000 (2019: EUR 2,860,000) under forward rate contracts.

The group has recognised an exchange gain of £139,459 (2019: £66,935) and the company a gain of £219,471 (2019: loss of £43,449) arising on these forward contracts in these financial statements.

24 Operating lease commitments

Lessee

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Within one year	74,585	77,366	21,059	30,664
Between two and five years	159,561	195,300	-	707
	234,146	272,666	21,059	31,371

25 Related party transactions

During the period the company paid £28,511 (2019: £116,900) to Twin Trading Limited, which was a shareholder of the company in the year until administrators were appointed on 22 October 2019. This was paid in order to develop and secure its supply chain through the ongoing programme of producer support and development.

During the period the company made donations to Trading Visions of £38,000 (2019: £38,000), a charity in which Sophi Tranchell, a Director who resigned during the year ended 30 June 2020, was a Trustee.

During the period the company was invoiced by Amaretti Growth Limited, a company in which James Averdieck, a Director of the company who resigned during the year ended 30 June 2020, is a Director, £12,000 (2019: £8,977) in respect of Director fees.

During the period the company was invoiced by STB Trading Limited, a company in which Samuel Bundy is a Director, £63,193 (2019: £nil) in respect of Director fees. At year end £17 (2019: £nil) was owed by STB Trading Limited.

During the year Divine Chocolate Limited purchased £3,339,312 of materials from Ludwig Weinrich GmbH & Co. KG. At the year end £636,132 was owed to Ludwig Weinrich GmbH & Co. KG. Divine Chocolate Limited also took out a loan for €540,000 during the year which was outstanding at 30 June 2020.

During the year Divine Chocolate Inc purchased $2,556,737 of materials from Ludwig Weinrich GmbH & Co. KG. At the year end a balance of $983,973 was owed to Ludwig Weinrich GmbH & Co. KG.

The company has taken advantage of the exemptions conferred by Financial Reporting Standard 102 not to disclose transactions with group undetakings where 100% of the share capital is held within the group and the consolidated financial statements are publicly available.

26 Controlling party

The ultimate controlling parent company is Ludwig Weinrich GmbH & Co. KG, a company registered in Germany. The ultimate controlling party is C Budde, a Director of the Company, by virtue of his shareholding in Ludwig Weinrich GmbH & Co. KG.

27 Cash generated from group operations

	2020	2019
	£	£
Loss for the year after tax	(1,448,855)	(929,026)
Adjustments for:		
Taxation credited	(9,314)	(36,669)
Finance costs	67,434	30,393
Investment income	(5,742)	(710)
Gain/loss on forward contracts	-	(51,421)
Amortisation and impairment of intangible assets	122,323	122,323
Depreciation and impairment of tangible fixed assets	32,598	31,327
Movements in working capital:		
Decrease/(increase) in stocks	211,544	(414,593)
Decrease/(increase) in debtors	997,033	(485,421)
Increase in creditors	85,079	979,690
Cash generated from/(absorbed by) operations	52,100	(754,107)