

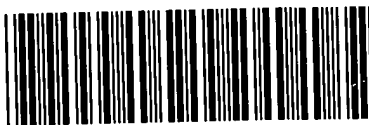
Registered number: SC028747

THOMAS TUNNOCK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 23 FEBRUARY 2019

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THOMAS TUNNOCK LIMITED

COMPANY INFORMATION

Directors Sir A B Tunnock
Lady E A Tunnock
Mrs K Loudon
Mrs F Gow
Mr F Loudon
Mr W B Gow (appointed 21 January 2019)

Company Registration Number SC028747

Registered office 34 Old Mill Road
Uddingston
Glasgow
Lanarkshire
G71 7HH

Independent auditor Grant Thornton UK LLP
Statutory Auditor & Chartered Accountants
110 Queen Street
Glasgow
G1 3BX

Bankers Bank of Scotland
56 Main Street
Uddingston
Glasgow
G71 7LS

Solicitors Pinsent Masons
141 Bothwell Street
Glasgow
G2 7EQ

THOMAS TUNNOCK LIMITED

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THOMAS TUNNOCK LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 23 FEBRUARY 2019

Principal activities

The company is principally engaged in the production and sale of chocolate biscuits both in the UK and internationally.

Overall strategy

For the past 130 years Tunnock's has always favoured quality over quantity and long term value over short term gains. Through careful and prudent management we have grown to become one of the leading biscuit brands in the UK.

We plan to secure an exciting future by remaining true to the values established by the Tunnock family and continuing to invest in our plant, people and products.

Business review

Turnover for the period ended 23 February 2019 grew by 5.7% to £61,370,999 (2018: £58,055,896). The gross profit percentage of the company was 34.5% (2018: 32.8%). Profit before interest and tax was £5,629,217 (2018: £3,824,797).

The company continues to invest in new plant with capital expenditure of £9,674,496 (2018: £9,872,697) in the year. This is essential to maintain our position at the forefront of the market. Our new factory extension became operational during the year enabling us to increase the number of biscuits manufactured during the period to 525 million.

We continue to review the possibility of extending the products within our range.

THOMAS TUNNOCK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 23 FEBRUARY 2019

Principal risks and uncertainties

In managing our business the principal risks we are exposed to are rising commodity prices and credit risks based on the health of the global economy.

Overview

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk and interest rate risk. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance function.

Price risk

The company is exposed to commodity price risk as a result of its operations.

Credit risk

The company has implemented a policy that requires credit checks on potential customers before sales are made. The amount of exposure to any individual counterpart is subject to a limit, which is reassessed regularly by the board.

Interest rate cash flow risk

The company has interest bearing assets. The interest bearing assets only include cash balances, which earn interest at fixed and variable rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

THOMAS TUNNOCK LIMITED


STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 23 FEBRUARY 2019

Financial key performance indicators

Key financial performance indicators monitoring our profitability and cash flow are shown below:-

	2019 £'000	2018 £'000
Profit before tax	5,745	3,979
Sales per employee	99	101
Units produced/£ direct labour	45	46

This report was approved by the board on 25 November 2019 and signed on its behalf.


Sir A B Tunnock
Director

THOMAS TUNNOCK LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 23 FEBRUARY 2019

The Directors present their report and the financial statements for the Period ended 23 February 2019.

Results and dividends

The profit for the Period, after taxation, amounted to £4,516,823 (2018: £3,060,809).

During the year a dividend totalling £2,000,098 (2018: £2,000,098) was paid.

Directors

The Directors who served during the Period were:

Sir A B Tunnock
Lady E A Tunnock
Mrs K Loudon
Mrs F Gow
Mr F Loudon
Mr W B Gow (appointed 21 January 2019)

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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;
- 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THOMAS TUNNOCK LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 23 FEBRUARY 2019

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

This is achieved through consultation at plant level with the format determined by local needs and industry practice.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotional activities should be available to all employees.

Qualifying third party indemnity provisions

In accordance with the company's articles of association, throughout the year the directors have been, and continue to be, indemnified to the fullest extent permitted by law. Appropriate directors' and officers' liability insurance cover is arranged and maintained via the company's insurance brokers.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Disclosure of information to auditor

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

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

This report was approved by the board on 25 November 2019 and signed on its behalf.


Sir A B Tunnock
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS TUNNOCK LIMITED

Opinion

We have audited the financial statements of Thomas Tunnock Limited (the 'company') for the Period ended 23 February 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the 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 Financial Reporting Standard 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 company's affairs as at 23 February 2019 and of its profit for the Period 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 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS TUNNOCK LIMITED
(CONTINUED)**

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 the audit:

- the information given in the Strategic Report and the Directors' Report for the financial Period 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS TUNNOCK LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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.



Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
Date: 25 November 2019

THOMAS TUNNOCK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 23 FEBRUARY 2019**

	Note	2019 £	2018 £
Turnover	4	61,370,999	58,055,896
Cost of sales		(40,225,904)	(39,002,518)
Gross profit		21,145,095	19,053,378
Administrative expenses		(16,298,534)	(15,294,013)
Other operating income	5	62,656	65,432
Fair value movement on investment property		720,000	-
Operating profit	6	5,629,217	3,824,797
Interest receivable and similar income	10	132,192	153,774
Interest payable and expenses	11	(16,742)	(61)
Profit before tax		5,744,667	3,978,510
Tax on profit	12	(1,227,844)	(917,701)
Profit for the financial Period		4,516,823	3,060,809
Total comprehensive income for the Period		4,516,823	3,060,809

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.


The notes on pages 14 to 29 form part of these financial statements.

THOMAS TUNNOCK LIMITED
REGISTERED NUMBER: SC028747

STATEMENT OF FINANCIAL POSITION
AS AT 23 FEBRUARY 2019

	Note	23 February 2019 £	24 February 2018 £
Fixed assets			
Tangible assets	14	36,207,735	30,729,194
		<u>36,207,735</u>	<u>30,729,194</u>
Current assets			
Stocks	16	1,637,517	1,642,412
Debtors: amounts falling due within one year	17	8,452,663	7,435,484
Current asset investments	18	4,856,560	14,315,637
Cash at bank and in hand	19	9,919,921	3,660,231
		<u>24,866,661</u>	<u>27,053,764</u>
Creditors: amounts falling due within one year	20	(7,388,375)	(6,680,506)
Net current assets		<u>17,478,286</u>	<u>20,373,258</u>
Total assets less current liabilities		<u>53,686,021</u>	<u>51,102,452</u>
Provisions for liabilities			
Deferred tax	22	(345,870)	(279,026)
		<u>(345,870)</u>	<u>(279,026)</u>
Net assets		<u><u>53,340,151</u></u>	<u><u>50,823,426</u></u>
Capital and reserves			
Called up share capital	23	176,500	176,500
Share premium account	24	65,927	65,927
Capital redemption reserve	24	123,500	123,500
Profit and loss account	24	52,974,224	50,457,499
		<u>53,340,151</u>	<u>50,823,426</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 November 2019.


Sir A B Tunnock
 Director

The accounting policies and notes on pages 14 to 29 form part of these financial statements.

THOMAS TUNNOCK LIMITED
REGISTERED NUMBER: SC028747

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 23 FEBRUARY 2019

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 23 FEBRUARY 2019

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 25 February 2018	176,500	65,927	123,500	50,457,499	50,823,426
Comprehensive income for the Period					
Profit for the Period	-	-	-	4,516,823	4,516,823
Dividends: Equity capital	-	-	-	(2,000,098)	(2,000,098)
At 23 February 2019	176,500	65,927	123,500	52,974,224	53,340,151

The notes on pages 14 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 24 FEBRUARY 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 26 February 2017	176,500	65,927	123,500	49,396,788	49,762,715
Comprehensive income for the period					
Profit for the period	-	-	-	3,060,809	3,060,809
Dividends: Equity capital	-	-	-	(2,000,098)	(2,000,098)
At 24 February 2018	176,500	65,927	123,500	50,457,499	50,823,426

The notes on pages 14 to 29 form part of these financial statements.

THOMAS TUNNOCK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 23 FEBRUARY 2019**

	23 February 2019 £	24 February 2018 £
Cash flows from operating activities		
Profit for the financial Period	4,516,823	3,060,809
Adjustments for:		
Depreciation of tangible assets	4,884,526	4,142,538
Profit on disposal of tangible assets	(60,313)	(30,575)
Interest paid	16,743	56
Interest received	(132,192)	(153,774)
Taxation charge	1,227,844	917,701
Decrease/(increase) in stocks	4,895	(1,453)
(Increase) in debtors	(1,017,179)	(304,291)
Increase in creditors	496,428	1,616,373
Corporation tax (paid)	(949,560)	(1,001,683)
Adjustment for revaluation add back	(720,000)	-
Net cash generated from operating activities	8,268,015	8,245,701
Cash flows from investing activities		
Purchase of tangible fixed assets	(9,674,496)	(9,872,697)
Sale of tangible fixed assets	91,742	30,573
Purchase of short term unlisted investments	-	2,012,204
Interest received	132,192	153,774
Divestment of short term investments	9,459,077	-
Interest paid	(16,742)	-
Net cash from investing activities	(8,227)	(7,676,146)

THOMAS TUNNOCK LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 23 FEBRUARY 2019

	23 February 2019 £	24 February 2018 £
Cash flows from financing activities		
Dividends paid	(2,000,098)	(2,000,098)
Interest paid	-	(56)
Net cash used in financing activities	(2,000,098)	(2,000,154)
Net increase/(decrease) in cash and cash equivalents	6,259,690	(1,430,599)
Cash and cash equivalents at beginning of Period	3,660,231	5,090,830
Cash and cash equivalents at the end of Period	9,919,921	3,660,231
Cash and cash equivalents at the end of Period comprise:		
Cash at bank and in hand	9,919,921	3,660,231
	9,919,921	3,660,231

The notes on pages 14 to 29 form part of these financial statements.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2019

1. General information

Thomas Tunnock Limited is a private limited company incorporated and domiciled in Scotland. The company's registered office is as shown on the company information page at the front of these financial statements.

The company operates from Scotland and its principal activity continues to be the production, selling and marketing of chocolate biscuits to the retail trade in the UK and international markets.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

In the preparation of the financial statements on a going concern basis, the directors have reviewed the working capital requirements of the company for the 12 month period from the date of board approval of the financial statements and believe the going concern assessment to be appropriate.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2019

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Investment property	- No depreciation
Plant & machinery	- 20% reducing balance (calculated monthly)
Motor vehicles	- 16.67% to 33.33% straight line
Computer equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Investment property

Investment property is carried at fair value determined by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of comprehensive income.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2019

2. Accounting policies (continued)

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2019

2. Accounting policies (continued)

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.13 Interest income

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

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 23 FEBRUARY 2019

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

In preparing these financial statements, the directors have made the following judgement:

Determine the adequacy of the allowances for doubtful accounts receivable based on the customers payment history and correspondence with the customer.

Other key sources of estimation uncertainty:

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

Valuation of investment properties are reviewed annually to ensure they are held in line with market value.

Override provisions are recognised where supporting contracts are in place.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	50,790,227	48,140,294
Foreign sales	10,580,772	9,915,602
	<u>61,370,999</u>	<u>58,055,896</u>

5. Other operating income

	2019 £	2018 £
Other operating income	5,228	7,516
Net rents receivable	57,428	57,916
	<u>62,656</u>	<u>65,432</u>

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	4,884,526	4,138,924
Profit on sale of tangible assets	(60,313)	(30,575)
	<u></u>	<u></u>

THOMAS TUNNOCK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019**

7. Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	<u>32,725</u>	<u>31,775</u>
Corporation tax compliance	10,000	10,000
Other services relating to taxation	15,000	15,000
Quarterly review of management accounts	19,500	18,940
	<u>44,500</u>	<u>43,940</u>

8. Employees

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

	2019 £	2018 £
Wages and salaries	15,586,744	14,866,660
Social security costs	1,354,001	1,269,134
Cost of defined contribution scheme	455,521	440,029
	<u>17,396,266</u>	<u>16,575,823</u>

The average monthly number of employees, including the Directors, during the Period was as follows:

	2019 No.	2018 No.
Office & management	42	38
Manufacturing & transport	575	539
	<u>617</u>	<u>577</u>

Key management personnel are considered to be the directors whose remuneration is noted below.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>569,012</u>	<u>530,646</u>

The highest paid Director received remuneration of £169,251 (2018 - £168,124).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2018: £NIL).

10. Interest receivable

	2019 £	2018 £
Other interest receivable	<u>132,192</u>	<u>153,774</u>

11. Interest payable and similar charges

	2019 £	2018 £
Bank interest payable	<u>16,742</u>	<u>61</u>

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

12. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	1,169,183	788,712
Adjustments in respect of previous periods	(14,233)	5,890
Total current tax	1,154,950	794,602
Deferred tax		
Origination and reversal of timing differences	57,686	119,926
Adjustment in respect of previous period	15,208	3,173
Total deferred tax	72,894	123,099
Taxation on profit on ordinary activities	1,227,844	917,701

THOMAS TUNNOCK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019**

12. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2018: *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19.09%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>5,744,667</u>	<u>3,978,510</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19.09%)	1,091,487	759,633
Effects of:		
Expenses not deductible for tax purposes	29,272	37,201
Fixed asset differences	127,817	126,572
Adjustments to tax charge in respect of prior periods	(14,233)	5,890
Adjustments to tax charge in respect of prior periods - deferred tax	15,208	3,173
Deferred tax rate change	(6,787)	(14,768)
Income not taxable for tax purposes	(136,800)	-
Chargeable gains/(losses)	121,880	-
Total tax charge for the Period/period	<u><u>1,227,844</u></u>	<u><u>917,701</u></u>

Factors that may affect future tax charges

Finance Act (No.2) 2015 included legislation which reduced the standard rate of UK corporation tax from 20% to 19% from 1 April 2017. Finance Act 2016, enacted on 15 September 2016, included legislation which further reduces the rate to 17% from 1 April 2020. The recognised deferred tax balances have been re-measured to 17% to reflect the corporation tax rate substantively enacted at the balance sheet date.

13. Dividends

	23 February 2019 £	24 February 2018 £
Dividends paid on equity capital	<u><u>2,000,098</u></u>	<u><u>2,000,098</u></u>

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

14. Tangible fixed assets

	Freehold property £	Plant & machinery £	Other fixed assets £	Total £
Cost or valuation				
At 25 February 2018	8,108,026	37,154,032	5,301,093	50,563,151
Additions	1,384,250	820,512	7,469,734	9,674,496
Disposals	-	(150,912)	-	(150,912)
Transfers between classes	1,093,797	9,308,635	(10,402,432)	-
Revaluations	-	-	720,000	720,000
At 23 February 2019	10,586,073	47,132,267	3,088,395	60,806,735
Depreciation				
At 25 February 2018	2,744,072	17,089,885	-	19,833,957
Charge for the Period on owned assets	102,844	4,781,682	-	4,884,526
Disposals	-	(119,483)	-	(119,483)
At 23 February 2019	2,846,916	21,752,084	-	24,599,000
Net book value				
At 23 February 2019	7,739,157	25,380,183	3,088,395	36,207,735
At 24 February 2018	5,363,954	20,064,147	5,301,093	30,729,194

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

15. Other Fixed Assets

Details of other assets are as follows:

	Investment properties £	Assets under the course of construction £	Total £
Cost or valuation			
At 25 February 2018	800,000	4,501,093	5,301,093
Additions		7,469,734	7,469,734
Transfers		(10,402,432)	(10,402,432)
Revaluation	720,000	-	720,000
	<u>1,520,000</u>	<u>1,568,395</u>	<u>3,088,395</u>
Depreciation			
At 24 February 2018 and 23 February 2019	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 24 February 2019	<u>1,520,000</u>	<u>1,568,395</u>	<u>3,088,395</u>

16. Stocks

	23 February 2019 £	24 February 2018 £
Raw materials and consumables	1,136,985	1,064,043
Work in progress (goods to be sold)	213,804	195,671
Finished goods and goods for resale	286,728	382,698
	<u>1,637,517</u>	<u>1,642,412</u>

THOMAS TUNNOCK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019**

17. Debtors

	23 February 2019 £	<i>24 February 2018 £</i>
Trade debtors	7,872,405	7,014,093
Prepayments and accrued income	580,258	421,391
	<u>8,452,663</u>	<u>7,435,484</u>

18. Current asset investments

	23 February 2019 £	<i>24 February 2018 £</i>
Short term investments and bonds	4,856,560	14,315,637
	<u>4,856,560</u>	<u>14,315,637</u>

19. Cash and cash equivalents

	23 February 2019 £	<i>24 February 2018 £</i>
Cash at bank and in hand	9,919,921	3,660,231
	<u>9,919,921</u>	<u>3,660,231</u>

20. Creditors: Amounts falling due within one year

	23 February 2019 £	<i>24 February 2018 £</i>
Trade creditors	2,207,465	1,505,485
Corporation tax	565,076	353,636
Other taxation and social security	1,015,058	594,444
Other creditors	54,114	52,181
Accruals and deferred income	3,546,662	4,174,760
	<u>7,388,375</u>	<u>6,680,506</u>

THOMAS TUNNOCK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019**

21. Financial instruments

	23 February 2019 £	<i>24 February 2018 £</i>
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>21,055,370</u>	<u>23,011,877</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(5,808,241)</u>	<u>(5,732,426)</u>

Financial assets measured at amortised cost comprise trade debtors, bank balances and amounts held on deposit which are classified as short term investments.

Financial Liabilities measured at amortised cost comprise trade creditors, accruals and other creditors.

22. Deferred taxation

	2019 £	<i>2018 £</i>
At beginning of year	(279,026)	<i>(155,927)</i>
Charged to the profit or loss	(66,844)	<i>(123,099)</i>
At end of year	<u>(345,870)</u>	<u>(279,026)</u>

The company has recognised deferred tax at a rate of 17% on the basis that this is the rate of UK corporation tax at which the company expects to release its deferred tax liability. Corporation tax rates of 19% from 1 April 2017 and 17% from 1 April 2020 have been substantively enacted on 26 October 2015 and 15 September 2016 respectively. Prior to the enactment of Finance Act 2016, the UK corporation tax rate was expected to reduce to 18% from 1 April 2020, and as such, deferred tax for the year ended 29 February 2016 was recognised at 18%. As the Finance Act 2016 further reduces the UK corporation tax rate to 17% from 1 April 2020, deferred tax balances in respect of the year ended 25 February 2017 have been re-measured accordingly.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

22. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	23 February 2019 £	24 February 2018 £
Accelerated capital allowances	(278,318)	(325,493)
Other timing differences	41,499	46,467
Capital gains/(losses)	(109,051)	-
	<u>(345,870)</u>	<u>(279,026)</u>

23. Share capital

	23 February 2019 £	24 February 2018 £
Authorised		
300,000 (2018: 300,000) Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, called up and fully paid		
176,500 (2018: 176,500) Ordinary shares of £1 each	<u>176,500</u>	<u>176,500</u>

24. Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

Capital redemption reserve was created when 123,500 shares were repurchased.

Profit & loss account

Includes all current and prior period retained profits and losses.

25. Contingent liabilities

The company had no contingent liabilities at 23 February 2019 or 24 February 2018.

THOMAS TUNNOCK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 23 FEBRUARY 2019

26. Capital commitments

At 23 February 2019 the company had capital commitments as follows:

	23 February 2019 £	24 February 2018 £
Contracted for but not provided in these financial statements	-	1,661,940

27. Pension commitments

The company operates three defined contribution pension schemes designed to provide retirement benefits for its directors and employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company to the funds and amounted to £455,521 (2018: £440,030). The amount owing at the year end totalled £54,114 (2018: £57,388).

28. Related party transactions

£57,000 of donations were made to a party related via a common directorship (2018: £319,195).

29. Controlling party

Sir A B Tunnock is the ultimate controlling party by virtue of his shareholding.