

REGISTERED NUMBER 00174706

Thorntons Limited
Annual Report and Financial Statements
For the year ended 31 August 2023



COMPANY INFORMATION

DIRECTORS

V Conti
P Steyaert
C Santarelli

SECRETARY

H K Thandi

REGISTERED OFFICE

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Middlesex
UB6 0HE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
Hertfordshire
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Strategic Report

The directors present their Strategic Report for the financial year ended 31 August 2023. The comparative information is for the year ended 31 August 2022.

Business Review

The principal activity of the Company is the manufacture and sale of high-quality confectionery products.

Turnover for the financial year ended 31 August 2023 was £65,976,000 (2022: £76,512,000). The profit before taxation for the financial year ended 31 August 2023 was £2,617,000 (31 August 2022: profit of £1,878,000).

At the end of the financial year 2022/2023 the Company was in a net asset position of £36,512,000 (2022: net asset £41,748,000).

As part of legal entities rationalisation Strand Court Properties Limited transferred its assets and liabilities to Thorntons Limited its Parent Company. The transaction was recorded at net book value for an amount of £15,598,265.

The strategy of the Company is to have Thorntons as a premium brand in the Sweet packaged food market.

The Company continues to invest in the factory in Alfreton, developing it as a Centre of Excellence in assortments and moulded figures for the Ferrero Group. The Company recognises this will take time and investment and the Company will take a long-term view.

Business key performance indicators

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

	2023	2022
	£'000	£'000
Turnover	65,976	76,512
Gross profit % of turnover	30.3%	26.8%
Operating profit % of turnover	5.1%	4.0%
Profit before tax % of turnover	4.0%	2.5%

Financial year 2022/2023 saw improvement on the previous year despite the challenging inflationary environment. The Company worked on its product range optimisation and as a result, net sales declined but the Company was able to record an overall positive operating income of 5.1% and deliver a marginal profit.

Principal risks and uncertainties

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

Interest rate risk

Long-term and short-term borrowings represent loans or financial arrangements either from the parent company or another group company, which has been stipulated to reduce the company's exposure to third party banks or financial institutions and to fluctuations in interest rates.

Liquidity risk

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

Capital risk

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

Price risk

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

Foreign currency risk

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

Credit risk

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

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

As the Thorntons business model results in an increased and growing proportion of sales being made to other Group companies, it is felt that market risk also substantially transfers away from the Company to the Group. At 31 August 2023 there were no significant concentrations of credit risk.

Section 172(1) statement

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

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

The Company is proud to provide its consumers with unique brands and quality products that bring moments of joy to generations, delivering not only great taste but produced in a way that also helps to protect people and our planet. This has always been a top priority for the Company and is a result of its continuous dedication to innovation, increasing investment in iconic brands, strengthening internal R&D activities, and investing in improving its manufacturing plants and equipment and ongoing commitments to sustainability.

In line with the Ferrero Group, the Company is committed to growing within the Sweet Packaged Foods market, in which the UK and Ireland have played an important role in the growth and development of the business. Over recent years the Company has continued to grow from strength to strength with distinctive brands, campaigns and category leadership. The Company has a dedicated approach to delivering quality at the heart, a value that runs throughout the business, with an entrepreneurial and innovative spirit that has been crafted for generations. The Company cares about its heritage and its family values, quality and excellence, its respect for people and the planet and the communities in which it works to encouraging thoughtful enjoyment with its small-portioned products. This approach helps to provide a strong guiding foundation as the company continues to grow.

The Company has always believed that a diverse and inclusive workforce coupled with a culture of strong values is crucial to long-term business success. That is why the Company is passionate about nurturing its colleague's knowledge to develop its people's creativity.

The Company has introduced a range of policies that help support its colleagues through all stages of their lives such as extra paid leave to support those going through their journey of adoption, fertility treatments and surrogacy, paid leave for those who experience pregnancy loss and paid leave for those who are caregivers. The Company has also introduced a new Menopause policy that offers support for colleagues with an array of offerings and includes a new partnership with wellbeing provider, Peppy Health.

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

Future developments in the year

The Ferrero Group continues to invest significantly in the UK, including the acquisition of Eat Natural in 2021 to complement its strong portfolio of brands and expand into new category segments that meet the evolving needs and trends of our consumers. The Company has confidence in its strategy for the business in the UK and Ireland and remains focussed on growing its presence in the Sweet Packaged Foods market; this will take time, investment and commitment and the Company will take a long-term view.

As a first step towards this long-term view, Ferrero Group has decided that Eat Natural Limited will transfer its assets and liabilities to Thorntons Limited. This will enable Thorntons Limited to be the manufacturing operations legal entity in the UK, ensuring continuity and consistency for the business.

Engagement with stakeholders

Engaging and collaborating with our stakeholders is key to developing our strategy, building transparent and trusting relationships. We define our stakeholders as the internal and external individuals, groups and organisations that are interested in or impact on/are impacted by our activities.

Our mapping of internal and external stakeholders places the consumer at the heart of our engagement approach as our first key stakeholder.

Equal opportunities and employment of disabled persons

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

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

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

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

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

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

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

Employees: respect and care for our people through the organisation

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

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

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

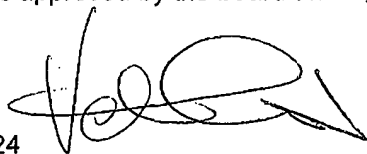
Ferrero Group has been built by generations of people who share a commitment towards continuous improvement to achieve the highest quality and care that is put into everything we do for our consumers and the communities in which we operate.

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

Supporting local communities has always been at the heart of Ferrero, and the Company empowers all of our colleagues to play their part. As part of this approach, the Company gives colleagues two additional days of paid leave to support its charity partners in the vital work that they do. The Company remains committed to supporting its communities and creating a positive impact for the future.

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

V Conti
Director
25th March 2024



Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 August 2023.

Result and dividends

The results for the financial year can be seen in the income statement on page 16.

The directors do not recommend the payment of a dividend (2022: £Nil).

Going concern

The directors of Thorntons Limited received a letter of support and had the assurance to have access to financial support from Ferrero International S.A., the parent company for a period of at least 12 months from the date of signing of the financial statements. On the basis of this support and the current funding arrangements in place, the directors consider that Thorntons Limited has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company continues to adopt the going concern basis in preparing the Company's annual financial statements.

Political contributions

It is the policy of the Board not to make political donations and accordingly none were made in the financial year (2022: £nil).

Future developments and financial risk management

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

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

P Steyaert

V Conti

C Santarelli (appointed on 01 January 2023)

M Pescarolo (resigned on 31 December 2022)

Qualifying third party indemnity provisions

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

Research and development

The Company continues an active programme of research and development in all areas of its activities, with a constant review of existing products and development of new products being an integral part of this programme. Research and development costs amounting £1,182,000 (2022: £941,000) were expensed in financial year 2022/2023.

Streamlined Energy and Carbon Reporting (SECR)

		Current reporting year	Comparison reporting year
		2022-23	2021-22
Energy consumption used to calculate emissions: /kWh		51,237,133	46,868,192
Breakdown of above total energy by source	Electricity	4,970,140	10,766,080
	Gas	46,203,643	36,011,459
	Transport	61,144	87,789
	Other	2,206	2,864
Emissions from combustion of gas (Scope 1, location-based) / tCO ₂ e		8,452.51	6,625.72
Emissions from combustion of fuel for transport purposes (Scope 1)/tCO ₂ e		3.00	9.23
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) / tCO ₂ e		0.00	12.41
Emissions from purchased electricity (Scope 2, location-based) / tCO ₂ e		1,029.19	2,081.94
Total gross CO ₂ e based on above (location-based) / tCO ₂ e		9,484.70	8,729.30
Intensity ratio: tCO ₂ e (gross) per tonne of production		2.72	1.524435
Emissions from purchased electricity (Scope 2, market-based) / tCO ₂ e		0.00	0.00
Emissions from combustion of gas (Scope 1, market-based) / tCO ₂ e		17.10	7.92
Total gross CO ₂ e based on above (market-based) / tCO ₂ e		17.10	7.92
Intensity ratio: tCO ₂ e (gross, market-based) per tonne of production		0.004895	0.001384

Quantification and reporting methodology

The Company has followed the 2019 HM Government Environmental Reporting Guidelines. The Company has also used the GHG Reporting Protocol - Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

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

Energy Efficiency Action Taken:

As an active leader in the sweet packaged foods industry, Ferrero Group plays an important role in the design and implementation of the sustainability and decarbonization pathway towards the Company's environmental goals. The Company are committed to halving its absolute emissions from owned operations (Scope 1 & 2) and reducing end-to-end greenhouse gas emissions for each tonne of our products by 43% (Scope 1, 2, & 3) by 2030. The Company climate goals have been validated by the independent Science Based Targets initiative (SBTi), confirming that its Scope 1 & 2 target of halving its emissions from owned operations is in line with the UN's Paris Agreement goals to limit global warming to 1.5°C. With the approval of SBTi, the Company is proud to join a common effort of companies whom follow a science-based trajectory to tackling the important issue of climate change and demonstrate the commitment of the Company to limit its carbon footprint and take concrete actions in tackling climate change.

In support of the Group goals, Thorntons Limited continuously measures its total Carbon Footprint to identify the impact of its activities, uncover the areas that present the greatest opportunities for action to reduce its emissions and track the results of its improvement initiatives.

In the period covered by the report the Company has undertaken a number of energy-saving programmes. These include the continuation of a site-wide lighting upgrade programme, specifically installing DALI controlled LED lighting with occupancy sensors in our Central Packaging Warehouse, and the commencement of a project to install the same equipment in our Intermediate Warehouse. These projects will deliver an electricity saving and will also have the additional benefit of reducing the amount of waste produced through the increased longevity of the new bulbs.

The Company's 1.5MW combined heat and power (CHP) plant was operational for its first full financial year, and during this time generated more than half of all the on-site electricity requirements and also provided steam and hot water for the Plant. Feasibility studies were also completed during the year to increase the thermal utilisation of the engine by providing additional heat for fabric heating and the heating of chocolate tanks.

The Company continues to procure electricity from the Grid on a renewable tariff and to support biomethane production through participation in the Green Gas Certification Scheme, purchasing Renewable Gas Guarantees of Origin (RGGOs) certificates for all of the gas we consume from the Grid.

In addition to this the Company remains committed to the continual improvement of its ISO 50001:2018 certified Energy Management System, and during the period delivered Phase 1 of its monitoring and measuring strategy through the installation of electricity meters on our transformers.

Disclosure of information to auditors

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

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

Independent auditors

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

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

V Conti
Director
25th March 2024



Statement of Directors' Responsibilities with respect to the financial statements

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

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

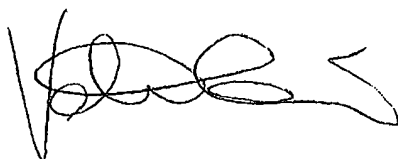
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates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

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

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

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

V Conti
Director
25th March 2024



Independent Auditors' Report

Independent auditors' report to the members of Thorntons Limited

Report on the audit of the financial statements

Opinion

In our opinion, Thorntons Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 August 2023; the Income Statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 August 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and tax laws (PAYE, VAT, Income tax), and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries being recorded to increase revenue and profits, in addition to potential management bias in accounting estimates (such as defined benefit pension scheme assumptions). Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance as to the Company's policies and procedures to prevent and detect fraud to identify actual and potential breaches of laws and regulations including those related to the areas noted above. These enquiries were corroborated through review of board minutes provided;
- Challenging and testing assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the risk of fraud in revenue recognition, and the defined benefit pension scheme assumptions;
- Auditing the risk of management override of controls including identifying and testing journal entries, in particular any journal entries posted with unusual account combinations to revenue and expenses and validating the identified entries to supporting documentation;
- Reviewing financial statement disclosures made by management in relation to their significant accounting estimates

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

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

Use of this report

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

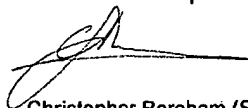
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Christopher Boreham (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

25 March 2024

Income Statement
For the year ended 31 August 2023

	Note	2023 £'000	2022 £'000
Turnover	4	65,976	76,512
Cost of sales		(45,998)	(56,040)
Gross profit		19,978	20,472
Administrative expenses		(20,370)	(21,747)
Other operating income	5	3,727	4,335
Operating profit	6	3,335	3,060
Dividend Income		25,215	-
Devaluation of Investment		(23,544)	-
Interest expenses and similar	10	(2,600)	(1,061)
Other finance income/(expenses)	11	211	(121)
Profit before taxation		2,617	1,878
Tax on profit/(loss)	12	(1,773)	20,324
Profit for the financial year		844	22,202

Statement of Comprehensive Income
For the year ended 31 August 2023

	Note	2023 £'000	2022 £'000
Profit for the financial year		844	22,202
Other comprehensive (expense)/income:			
Actuarial (loss)/gain on defined benefit schemes	24	(8,060)	16,170
Movement in deferred taxation relating to pension asset	21	1,980	(3,992)
Total other comprehensive (expense)/income		(6,080)	12,178
Total comprehensive (expense)/income for the financial year		(5,236)	34,380

The notes on pages 19 to 43 are an integral part of these financial statements.

Statement of Financial Position
as at 31 August 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	13	296	700
Tangible assets	14	49,259	33,328
Right-of-use assets	15	2,963	26,424
Investments	16	-	23,544
		52,518	83,996
Current assets			
Inventories	17	7,531	12,530
Debtors: Amounts falling due after more than one year	18	18,052	19,166
Debtors: Amounts falling due within one year	18	28,910	29,924
Cash and cash equivalents		589	-
		55,082	61,620
Bank overdraft		-	(978)
Creditors: Amounts falling due within one year	19	(76,234)	(89,175)
Net current liabilities		(21,152)	(28,533)
		31,366	55,463
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	20	(2,316)	(24,842)
Loan and Borrowings		-	-
		29,050	30,621
Pension asset	24	7,462	11,127
Net assets		36,512	41,748
Capital and reserves			
Called up share capital	22	177,005	177,005
Share premium account	23	14,625	14,625
Accumulated losses		(155,118)	(149,882)
Total Shareholders' funds		36,512	41,748

The notes on pages 19 to 43 are an integral part of these financial statements.

The financial statements of Thorntons Limited (registered number 00174706) on pages 16 to 43 were approved by the board of Directors and authorised for issue on 25th March 2024. They were signed on its behalf by:

V Conti
Director



Statement of Changes in Equity
for the year ended 31 August 2023

	Called up share capital £'000	Share premium account £'000	Accumulated losses £'000	Total shareholders' funds £'000
At 1 September 2021	177,005	14,625	(184,262)	7,368
Profit for the financial year	-	-	22,202	22,202
Other comprehensive income	-	-	12,178	12,178
At 31 August 2022	177,005	14,625	(149,882)	41,748
Profit for the financial year	-	-	844	844
Other comprehensive expense	-	-	(6,080)	(6,080)
At 31 August 2023	177,005	14,625	(155,118)	36,512

The notes on pages 19 to 43 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

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

The financial statements have been prepared for the year ended 31 August 2023. The comparative period was the year ended 31 August 2022.

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

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

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

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

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

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);

2. Summary of significant accounting policies (continued)

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

Consolidation

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

Going concern

The directors of Thorntons Limited received a letter of support and had the assurance to have access to financial support from Ferrero International S.A., the parent company for a period of at least 12 months from the date of signing of the financial statements. On the basis of this support and the current funding arrangements in place, the directors consider that Thorntons Limited has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company continues to adopt the going concern basis in preparing the Company's annual financial statements.

2. Summary of significant accounting policies (continued)

Adoption of new and revised Standards

New standards, amendments and interpretations adopted during the financial year

There were no new standards adopted during the year.

New standards, amendments and interpretations not yet adopted

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

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

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

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

IFRS17 Insurance contracts: this standard was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. This standard will be applicable for Annual reporting periods beginning on or after 1 January 2023.

2. Summary of significant accounting policies (continued)**Functional and presentational currency**

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

Foreign currency translation

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

Turnover

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

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

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

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

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

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

Grants

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

2. Summary of significant accounting policies (continued)

Operating leases

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

Other operating income

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

Interest receivable and similar income

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

Interest payable and similar charges

Interest payable is charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated instrument.

Dividends

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

Current and deferred taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

2. Summary of significant accounting policies (continued)

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Tangible assets

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

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

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

Long leasehold and freehold premises	- Up to 50 years
Other plant, vehicles and equipment	- Up to 66 years
Retail fittings and equipment	- Up to 10 years

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

2. Summary of significant accounting policies (continued)

Right-of-Use assets

For leasing contracts in scope of IFRS 16, the right-of-use asset is recognised with a corresponding lease liability when the leased asset is available for use. The right-of-use asset is equal to the lease liability, measured at the present value of the lease payments due over the lease term, adjusted to include initial direct costs and any dilapidation provision.

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

Land and buildings	- Up to 10 years
Vehicles	- 3 years to 5 years

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

Impairment of non-financial assets

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

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

Pre-trading expenditure

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

Research & development

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

Intangible assets

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

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

Computer software	- Up to 10 years
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2. Summary of significant accounting policies (continued)

Investments

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

Inventory

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

Financial assets

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

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

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

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

Amounts owed by Group undertakings are unsecured, repayable on demand and subject to financial interests.

Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

Trade debtors

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

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

Trade creditors

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

Derivatives and other financial instruments

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

Borrowings

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

Provisions

Provisions for onerous contracts and dilapidations are recognised in the statement of financial position when the Company has a legal or constructive obligation whereby, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at Group's weighted average cost of capital that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital

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

2. Summary of significant accounting policies (continued)

Financial liabilities

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

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

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, derivative liabilities and other peculiar cases mentioned in IFRS 9, which are subsequently measured at fair value. For financial liabilities subsequently measured at amortised cost, the Company uses the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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

- (a) The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be presented in other comprehensive income, and
- (b) the remaining amount of change in the fair value of the liability will be presented in profit or loss, unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss.

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

Amounts owed by Group undertakings are unsecured, repayable on demand and subject to financial interests.

2. Summary of significant accounting policies (continued)**Post-retirement benefits***Defined benefit pension scheme*

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

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

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

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

Defined contribution pension scheme

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

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

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

(i) Retirement benefit liability

The valuation of the retirement benefit liability is dependent upon a series of assumptions, the key ones being discount rates, mortality rates, investment returns and inflation on the rate of salary and pension increases. These judgements and estimates are determined after taking into account the requirements of IAS 19 'Retirement benefit obligations' and after taking expert advice from the Company actuaries. These assumptions are set out in note 25. Pension commitments to the financial statements.

(ii) Inventory Provision

The Company assesses and review its inventory provision at each reporting date or even more frequently is needed. Provision covers expired goods, goods which do not meet the Company's quality standards and can't be sold, goods to be written-off or slow-moving goods.

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

Goods in stock are carefully reviewed and when needed provision is booked against at cost.

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

Determining the recoverability of property, plant and equipment, and intangibles requires, among other matters, an estimation of future production output and changes in technology.

The Company applies useful economic lives prescribed by accounting policy, but reviews the estimated useful lives of property, plant and equipment and intangibles periodically or at least at the end of each annual reporting period using several statistical, historical and judgemental factors to reflect the current local status of use of the asset.

(iv) Deferred tax asset

Recognition of a deferred tax asset requires judgement for determining the extent of its recoverability at each balance sheet date. Management assesses recoverability with reference to approved forecasts of future taxable profits. These forecasts require the use of assumptions and estimates. The Company has recognised its deferred tax asset on its brought forward losses in its income statement and statement of financial position for the year ended 31 August 2021.

(v) Lease Accounting

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

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

Property, plant and equipment, intangible assets and right of use assets are impaired when there are events of changes or circumstances indicating that the carrying values of the assets are not recoverable. Such impairment indicators may include changes in business plans, changes in market conditions leading to unprofitable performance or future profitability not being sufficient to recover the value of the assets.

Management is required to estimate highly uncertain and complex factors, like market trends, business performance, inflation, market supply or demand. Impairment losses are determined by comparing the book value of an asset to its recoverable amount. The recoverable amount is the greater of the fair value net of cost of disposal or its value in use. The estimated value in use is based on the present value of expected future cash flows net of costs of disposal. The expected future cash flows used for impairment analysis are elaborated on judgmental assessment of future productions volumes, sales prices and manufacturing costs, based on the information available at the date the estimate is calculated and discounted at a rate, which represents the specific risk of the asset.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty
(continued)**

(vii) Transfer of trade and assets

As part of legal entities rationalisation Strand Court Properties Limited transferred its assets and liabilities to Thorntons Limited its Parent Company. The transaction was recorded at net book value. This is considered as transfer of trade and assets and does not constitute a sale of business.

4. Turnover

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

An analysis of turnover by geographical market for year ended August 31 is given below:

	2023	2022
	£'000	£'000
Europe	65,976	75,659
Rest of the World	-	853
	65,976	76,512

5. Other operating income

	2023	2022
	£'000	£'000
Licensing income	2,012	2,097
Government grants and incentives	20	20
Other sundry income	1,695	2,218
	3,727	4,335

6. Operating profit

The operating profit for year ended August 31 is stated after charging:

		2023	2022
		£'000	£'000
Cost of stocks recognised as an expense		21,933	21,720
Employee costs	note 8	19,728	23,294
Impairment of inventory	note 17	2,079	4,248
Depreciation of tangible fixed assets	note 14	4,545	4,473
Amortisation of intangible fixed assets	note 13	326	392
Utilities		3,695	5,356
Transport cost		1,094	1,217
Repairs and Maintenance		598	2,232
Right-of-use Depreciation	note 15	2,281	2,519
R&D cost		1,182	941
Lease expenses		939	765

Cost of stocks recognised as an expense in financial year 2022/2023 has been calculated based on the consumption of raw materials, packaging and other materials used in the manufacturing process.

7. Auditors' remuneration

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

	2023 £'000	2022 £'000
Fees payable for the audit of the Company's financial statements	120	107
- audit of subsidiaries	-	3
Total charged to income statement	120	110

8. Employees

Staff costs were as follow:

	2023 £'000	2022 £'000
Wages and salaries	16,643	19,734
Social security costs	1,632	2,075
Other pension costs	1,453	1,485
	19,728	23,294

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

	2023 Number	2022 Number
Management and administration	41	56
Selling and distribution	54	66
Manufacturing	383	428
	478	550

9. Directors' remuneration

	2023 £'000	2022 £'000
Emoluments	-	-

Remuneration of the highest paid Director:	2023 £'000	2022 £'000
Emoluments	-	-

Directors have their remuneration paid by another Ferrero Group UK based company.

10. Interest expenses and similar

		2023	2022
		£'000	£'000
Interest on loan owed to group undertaking		2,147	591
Interest of finance leases	note 15	381	440
Other finance cost		72	30
		<u>2,600</u>	<u>1,061</u>

11. Other finance income/(expenses)

		2023	2022
		£'000	£'000
Net income/(expenses) on net defined benefit liability	note 24	<u>211</u>	<u>(121)</u>

12. Tax on profit/(loss)

		2023	2022
		£'000	£'000
Corporation tax credit		(1,540)	(6,421)
Adjustment in respect of prior years – current tax		591	(13)
Deferred tax	note 21	3,046	(15,139)
Adjustment in respect of prior years – deferred tax		(324)	1,249
Total tax charge/(credit) for the year		<u>1,773</u>	<u>(20,324)</u>

Factors affecting tax charge for the period

The tax charge/(credit) assessed for the period is higher (2022: higher) than the standard rate of corporation tax in the UK of 21.52% (2022: 19%). The differences are explained below:

	2023	2022
	£'000	£'000
Profit before taxation	<u>2,617</u>	<u>1,878</u>
Profit before taxation at standard rate of 21.52% (2022: 19%)	563	357
Expenses non-deductible for tax purposes	133	115
Utilisation of brought forward tax losses	-	(5,289)
Recognition of deferred tax asset on losses	-	(17,288)
Group relief surrendered at 100%	388	-
Difference between current and deferred tax rates	422	544
Adjustments in respect of prior periods	267	1,237
Total tax charge/(credit) for the period	<u>1,773</u>	<u>(20,324)</u>

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing, legislation on this. In March 2022 the OECD released a technical guidance on the application of the 15% global minimum tax, which is the second pillar of the project to address the tax challenges deriving from digitalization of the economy. While the framework has been published, the Company is awaiting the legislation and detailed guidance to assess the full implication.

13. Intangible assets

	Computer and software £000
Cost at 1 September 2022	12,032
Additions	-
Disposals	(9,563)
Cost at 31 August 2023	2,469
Accumulated amortisation at 1 September 2022	11,332
Charge for the year	326
On disposals	(9,485)
Accumulated amortisation at 31 August 2023	2,173
Net book value at 31 August 2023	296
Net book value at 31 August 2022	700

At the end of the year, there are no assets in the course of construction that are not being amortised at the statement of financial position date (2022: £149,000).

14. Tangible assets

	Long leasehold and freehold land and buildings	Other plant, vehicle and equipment	Retail fittings and equipment	Total
	£000	£000	£000	£000
Cost at 1 September 2022	8,119	86,303	68	94,490
Additions	16,603	3,919	-	20,522
Reclassification	-	-	-	-
Disposals	-	(2,831)	(41)	(2,872)
Cost at 31 August 2023	24,722	87,391	27	112,140
Accumulated depreciation at 1 September 2022	2,791	58,325	46	61,162
Charge for the year	591	3,949	5	4,545
Disposals	-	(2,788)	(38)	(2,826)
Accumulated depreciation at 31 August 2023	3,382	59,486	13	62,881
Net book value at 31 August 2023	21,340	27,905	14	49,259
Net book value at 31 August 2022	5,328	27,978	22	33,328

Assets in the course of construction included above are £3,920,000 (2022: £965,000), mainly on other plant, vehicle and equipment. These assets are not being depreciated at the balance sheet date.

14. Tangible assets (continued)

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

	2023 £'000	2022 £'000
Other plant, vehicles, and equipment	<u>698</u>	<u>716</u>

15. Leases

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

Right-of-use assets

	Land and Building £000	Vehicles and Other £000	Total £000
Right of use asset as at 1 September 2022	22,848	3,576	26,424
Additions	-	54	54
Disposals	(21,234)	-	(21,234)
Depreciation in the year	(1,614)	(667)	(2,281)
Right of use asset as at 31 August 2023	<u>-</u>	<u>2,963</u>	<u>2,963</u>

Lease Liabilities

	2023 £'000	2022 £'000
Lease liabilities as at 1 September 2022 and 1 September 2021	27,273	30,335
Additions	54	2,547
Disposals	(22,208)	(3,239)
Interests	381	440
Repayments	(2,527)	(2,810)
Lease liabilities as at 31 August 2023 and 31 August 2022	<u>2,973</u>	<u>27,273</u>

	2023 £'000	2022 £'000
Current	664	2,458
Non-current	2,309	24,815
	<u>2,973</u>	<u>27,273</u>

Disposals of the year are related to land and buildings acquired from Strand Court Properties and included in the Tangible asset at 31 August 2023.

15. Leases (continued)

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

	2023
	£'000
Not later than one year	633
Later than one year and not later than five years	1,509
Later than five years	924
	<u>3,066</u>

16. Investments

The directors believe that the carrying value of the Company's investments in its subsidiaries is supported by their underlying net assets or future cash flows and no impairment was accounted for during financial year 2022/23.

Fixed asset investments comprise investments in subsidiary undertakings held by Thorntons Limited. The following subsidiary undertakings were held at August 31, 2023:

Name	Country of incorporation and operation	Class of shares	Holding	Principal activity
Strand Court Properties Limited	England	Ordinary	100%	Dormant
Gartner Pralines Limited	England	Ordinary	100%	Dormant
Imco (3496) Limited	England	Ordinary	100%	Dormant

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

The Company acquired trade and assets of Strand Court Properties Limited on 1st of July 2023. Movement in investment is shown below:

	£'000
Cost:	
At 1 September 2022 and 31 August 2023	<u>23,544</u>
Provision for Impairment:	
At 1 September 2022	-
Impairment	23,544
At 31 August 2023	<u>23,544</u>
Net book value:	
At 31 August 2023	<u>-</u>
At 31 August 2022	<u>23,544</u>

17. Inventories

	2023	2022
	£'000	£'000
Raw materials	3,066	3,128
Work in progress	2,581	1,815
Finished goods and goods for resale	1,884	7,587
	<u>7,531</u>	<u>12,530</u>

Inventories are stated after provision for impairment of £573,000 (2022: £996,000).

During financial year ended 31 August 2023 the Company recognised £2,079,000 as inventory write-off in its income statement (2022: £4,248,000).

18. Debtors

		2023	2022
		£'000	£'000
Amount falling due after more than one year			
Deferred tax asset	note 21	<u>18,052</u>	<u>19,166</u>
Amount falling due within one year			
Trade debtors		78	834
Amounts owed by group undertakings		20,952	19,518
Other debtors		-	105
Corporation tax		7,180	8,612
Prepayments and accrued income		700	855
		<u>28,910</u>	<u>29,924</u>

19. Creditors: Amounts falling due within one year

		2023	2022
		£'000	£'000
Trade creditors		6,464	6,942
Lease Liability	note 15	664	2,458
Social security and other taxation		1,695	2,386
Accruals and deferred income		5,643	6,265
Amounts owed to group undertakings		61,768	71,124
		<u>76,234</u>	<u>89,175</u>

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

		2023	2022
		£'000	£'000
Accruals and deferred income		7	27
Lease Liability	note 15	2,309	24,815
		<u>2,316</u>	<u>24,842</u>

Included in accruals and deferred income are amounts totalling £7,000 (2022: £27,000) held in respect of Government grants.

21. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25%). The increase of the corporate income tax rate was announced and enacted in the Finance Act 2021 and will be applicable from April 2023. The movement on the deferred tax account is shown below:

	2023	2022
	£'000	£'000
Deferred tax asset as at 1 September 2022 and 1 September 2021	19,166	9,222
Credited to the income statement	(2,722)	13,890
Charged to other comprehensive income	1,980	(3,992)
R&D credit	50	46
Transfer from Strand Court	(422)	-
Deferred tax asset as at 31 August 2023 and 31 August 2022	<u>18,052</u>	<u>19,166</u>

The deferred tax asset is made up as follows:

	2023	2022
	£'000	£'000
Accelerated capital allowances	1,632	4,498
Retirement benefit (liability)/asset	(1,865)	(2,776)
Tax losses	18,020	17,288
Other	265	156
	<u>18,052</u>	<u>19,166</u>

22. Called up share capital

	2023	2022
	£'000	£'000
Authorised, issued and fully paid		
1,770,052,397 (2022: 1,770,052,397) Ordinary shares of £0.10 each	<u>177,005</u>	<u>177,005</u>

23. Share premium account

	2023 £'000	2022 £'000
Share premium account	14,625	14,625

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

24. Pension asset

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

The pension costs charged for the period in respect of the defined contribution scheme represents contributions payable by the Company and amounted to £887,000 (2022: £1,007,000). At 31 August 2023, pension contributions of £126,000 were accrued (2022: £148,000). There were no prepaid contributions at 31 August 2023 (2022: £Nil).

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

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

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

Starting from October 2019, the scheme requires contributions from the employer of £4,250,000 per year with additional contributions as per recovery plan dated 8 October 2019. Total contributions for financial year 2022/2023 were £4,750,000. The employer shall also pay, as determined by the Scheme Actuary, the cost of any benefit augmentations, as per agreement between the Employer and Trustees.

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

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

24. Pension asset (continued)

Reconciliation of scheme liabilities and assets:

	2023	2022
	£'000	£'000
Net asset/(liabilities)		
At 1 September 2022 and 1 September 2021	11,127	(9,072)
Interest cost	211	(121)
Actuarial loss/(gain)	(8,060)	16,170
Employer contributions	4,750	4,628
Administration costs	(566)	(478)
At 31 August 2023 and 31 August 2022	7,462	11,127

	2023	2022
	£'000	£'000
Liabilities		
At 1 September 2022 and 1 September 2021	90,744	146,603
Interest cost	3,764	2,523
Actuarial (gain)	(17,880)	(53,773)
Benefits paid	(4,343)	(4,609)
At 31 August 2023 and 31 August 2022	72,285	90,744

	2023	2022
	£'000	£'000
Assets		
At 1 September 2022 and 1 September 2021	101,871	137,531
Interest cost	3,975	2,402
Actuarial (loss)	(25,940)	(37,603)
Employer contributions	4,750	4,628
Benefits paid	(4,343)	(4,609)
Administration costs	(566)	(478)
At 31 August 2023 and 31 August 2022	79,747	101,871

The fair value of plan assets was as follows:

	2023	2022
	£'000	£'000
Equities	15,227	22,200
Bonds	13,490	12,841
Derivatives	37,536	49,243
Other	13,494	17,587
Total plan assets	79,747	101,871

All assets have quoted prices available on active markets.

Composition of plan liabilities:

	2023	2022
	£'000	£'000
Total		
Fair value of plan assets	79,747	101,871
Present value of plan liabilities	(72,285)	(90,744)

Net pension scheme asset	<u>7,462</u>	<u>11,127</u>
24. Pension asset (continued)		

The amounts recognised in the income statement are as follows:

	2023	2022
	£'000	£'000
Interest on obligation	211	(121)
Administration costs	(566)	(478)
Total costs in the loss for the financial year	<u>(355)</u>	<u>(599)</u>

24. Pension asset (continued)

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

	2023	2022
	%	%
Discount rate	5.35	4.25
Retail Price Index ("RPI") inflation Rate of increase to pensions payment:		
- service after 6 April 1997	3.2	3.35
Rate of increase to deferred pensions	3.1	3.25
	3.2	3.35

The mortality assumptions used were as follows (years):

- for a male aged 65 now	21.5	22.1
- at 65 for a male aged 45 now	22.5	23.1
- for a female aged 65 now	24.1	24.0
- at 65 for a female member aged 45 now	<u>25.7</u>	<u>25.7</u>

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

	2023	2022
	£'000	£'000
Discount rate plus 0.25% pa	(2,946)	(4,031)
RPI inflation plus 0.5% pa	<u>5,182</u>	<u>6,607</u>

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

25. Related party transactions

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

26. Controlling party

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

27. Transfer of trade and assets

On 1st July 2023, the following transfer of trade and assets took place:

	Book Value
Fixed Assets	£16,436,858
Liabilities	(£838,593)

The Company acquired trade and assets of Strand Court Properties Limited, a property investment company for total consideration of £15,598,265. There was no contingent consideration or other consideration as part of this agreement. There were no acquisition related costs incurred.

No revenue recognised in the period arose as a result of this acquisition.

28. Events after the end of reporting period

The Ferrero Group continues to invest significantly in the UK, including the acquisition of Eat Natural in 2021 to complement its strong portfolio of brands and expand into new category segments that meet the evolving needs and trends of our consumers. The Company has confidence in its strategy for the business in the UK and Ireland and remains focussed on growing its presence in the Sweet Packaged Foods market; this will take time, investment and commitment and the Company will take a long-term view.

As a first step towards this long-term view, Ferrero group has decided that Eat Natural Limited will transfer its assets and liabilities to Thorntons Limited. This will enable Thorntons Limited to be the manufacturing operations legal entity in the UK, ensuring continuity and consistency for the business.