

Fresh-Pak Chilled Foods Limited

**Directors' report and financial
statements**

Registered number 01616444

For the period ended 31 December 2022

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Company information

Directors

T J Brinsmead
L M Scott
D A Green

Secretary

L M Scott

Registered office

Waterside Park
Valley Way
Wombwell
Barnsley
South Yorkshire
S73 0BB

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Strategic report

These financial statements cover the period ended 31 December 2022.

Principal activities

The company is business to business manufacturer of chilled food products.

Business model

The company creates, prepares, and sells chilled food products to major retailers and the food service industry in the United Kingdom and Europe. The company employs skilled and enthusiastic people to create and prepare, from high quality ingredients, food products that are convenient to use, wholesome, and great to eat. We aim to delight our consumers by providing high quality, innovative convenience food products that are "as good as homemade" and offer good value for money.

Development and Performance during the period

The company's key financial indicators for the period were as follows:

	52 Weeks 2022 £'000	52 weeks 2021 £'000
Turnover	75,949	73,772
EBITDA (before exceptional costs)	(1,358)	3,963
Net funds	(5,722)	(3,998)

Position at period end and prospects

The substantial investment in an efficient manufacturing base together with the quality of its people has placed the company in a strong position for future growth.

The company has retained its focus on product quality, development, and food provenance in what continues to be a very competitive and exceptionally price sensitive market. The company remains confident that, in spite of the continuing pressure on industry margins, its strategy of strong and uncompromised technical standards combined with competitive manufacturing costs will place it in a favourable position in the year ahead.

Principal risks and uncertainties

Economic and market risk

In common with the food industry generally, the company's costs and revenues are subject to the effect of fluctuations in input prices, changes in consumer trends and the competitive environment. Exposure to raw material price fluctuations is managed by a central procurement function, agreeing forward prices where appropriate. Commodity prices could continue to rise and the company would seek to pass on costs, where possible, to its customers through price rises. However, constraints in achieving this could affect the company's results. The company seeks to manage changes in consumer trends through portfolio changes and new product innovation.

Operational continuity risk

A major incident, for example a fire, could present significant operational difficulties. The company has plans to manage the impact of such an event and has insurance programmes to mitigate the financial consequences.

Food safety risk

The quality and safety of our products is of the utmost importance. There is an associated risk if they are below standard. The company has strict controls in place and regularly reviews health and safety policies.

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

Credit risk

The company provides goods and services to well-established customers and consequently credit risk is intrinsically low, as is reflected in a generally low incidence of bad debt write-offs. The company manages this risk by normal credit control processes but to further reduce this risk the company has, during the period, maintained credit insurance on certain key customers.

The credit risk associated with trade creditors is managed by maintaining a list of alternative suppliers to ensure that the risk of interrupted supply is minimised.

Financing and liquidity risk

The company aims to mitigate liquidity risk by managing cash generation and utilisation by its operations, ensuring that adequate headroom is in place.

Foreign exchange risk

The company's policy is to reduce exposure to movements in foreign exchange rates on external cash flows. Forward foreign contracts are taken out to provide partial protection against future movement in foreign exchange rates where there is a forward commitment to purchase goods denominated in a currency other than Sterling.

Covid-19

Non-financial risks emerging from the global pandemic and remote working by some of the Group's employees, counterparties, customers, and suppliers, have been identified, assessed, managed, and governed through timely application of the Group's risk management framework. The Group has modified its procedures to safeguard its employees and visitor's health, and strictly follows the guidelines for essential services published by the government.

Environmental impact and carbon use disclosures

The company identifies sustainability as fundamental to each aspect of its strategy and the long-term success of the business. Throughout the period ended 31 December 2022 the company has continued to strive toward creating a more socially, environmentally, and economically sustainable business. The company regularly reviews its sustainability strategy as a responsible food manufacturer.

In accordance with the Companies Act 2006 (Strategic report and Director's Report) Regulations 2013, the company reports on its greenhouse gas (GHG) emissions. The methodology used to calculate the emissions is based on the UK Governments Environmental Reporting Guidelines (2013) and emission factors from the 2017 Government (GHG) Conversion Factors for Company Reporting.

Strategic report (continued)

Environmental impact and carbon use disclosures (continued)

The reported emission sources include those which the company is responsible for, as required under the Companies Act 2006 (Strategic report and Director's Report) Regulations 2013.

As a responsible business the company is mindful of the community in which it operates and the wider environment. Within the offices, factory and surrounding grounds, along with safety and efficiency, attention is paid to the use of natural resources and reducing the carbon footprint of the company. The company is committed to reducing non-recyclable waste and increasing the use of recyclable packaging in the manufacturing process.

	Period ended 31 December 2022	Period ended 1 January 2022
Total production (tonnes)	18,592	21,849
Total primary energy (kWhp)	26,131,130	24,216,138
Performance (kWhp/tonne)	1,383,220	1,108,341
Carbon emissions (kg Ce)	1,389,761	1,291,938
CO ₂ emissions	5,096	4,737
Climate Change Levy Discount (£)	90,993	72,470
Ratio (kgCO ₂ e/£1 sales revenue (%))	6.7	6.4
Ratio (kgCO ₂ e/ number of employees (number))	10.7	9.4

S172 Companies Act 2006

The directors of the company consider that they have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172 (a-f) of the Companies Act 2006) in the decisions taken during the period ended 31 December 2022.

The Board ensure that the requirements of S172 of the Companies Act 2006 are met and the interests of its stakeholder groups are considered through a combination of the following:

- Standard agenda points and presentations at each Board meeting;
- Regularly scheduled Board presentations and reports, including monthly leadership team meetings with updates on financial, commercial, and operational matters, including Health & Safety updates;
- Regular updates with the stakeholders, including but not limited to, suppliers, customers and employees;
- Consideration of the sustainability of group operations, the impact of operations on the community and environment, and how this can continue to be improved; and
- A detailed annual budget-setting process covering the following three years, which considers the company strategy and long-term goals of the business.

Strategic report (*continued*)

Going concern

The company manages the treasury functions for the group referred to in note 19 ("the group"). The director of the group has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements and believes that the group will have adequate cash resources to continue to settle liabilities as they fall due and therefore will be able to continue as a going concern as detailed in note 1.

This report was approved by the board on 06 September 2023 and signed on its behalf by:



L M Scott
Director

Waterside Park
Valley Way
Wombwell
Barnsley
S73 0BB

Directors' report

The directors present their report and the financial statements for the period ended 31 December 2022.

Results and dividends

The loss for the period after taxation is £3,018,000 (2021: profit £926,000). No dividends were declared and paid during the period (2021: none).

Political contributions

The company made no political donations or incurred any political expenditure during the period (2021: £nil).

Directors

The directors who held office during the period and up to the date of signing this report were as follows:

T J Brinsmead (appointed 14 February 2023)
L M Scott (appointed 14 August 2023)
D A Green
L P Besa (resigned 05 September)
S J Evans (resigned 21 July 2023)
J C L'Estrange (resigned 31 December 2022)
N Concannon (resigned 24 February 2023)

The company has taken out insurance to indemnify the directors of the company, against third party proceedings whilst serving on the board of the company and of any subsidiary, associate or joint venture. These indemnity policies existed throughout the period and remain in place at the date of this report.

None of the directors had an interest in the share capital of the company as at 31 December 2022 (2021: £nil).

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Engagement with employees

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and periodic briefings. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Engagement with the community and environment

Environmental sustainability is a key issue for the company and significant time and resources have been invested in building a more robust awareness culture and improving sustainability.

Directors' report *(continued)*

Engagement with suppliers

Suppliers are critical to providing high-quality ingredients and materials used in the manufacturing process of the products the company sells to customers. The company aims to treat its suppliers fairly and pay them within agreed timescales, maintaining high standards of business conduct. Suppliers must accept a Code of Conduct which includes adherence to GDPR requirements.

Engagement with customers

The company aims to serve as a supply chain partner to its customers. Its customer base includes foodservice and retail businesses ranging from take-away coffee shops to large supermarket chains.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 06 September 2023 and signed on its behalf by:


L M Scott
Director

Waterside Park
Valley Way
Wombwell
Barnsley
S73 0BB

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

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 period. Under that law they have elected to prepare the company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the company and of the profit or loss for that period. In preparing the company financial statements, the directors are required to:

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

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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members Of Fresh-Pak Chilled Foods Limited

Opinion

We have audited the financial statements of Fresh-Pak Chilled Foods Limited ("the Company") for the period ended 31 December 2022 which comprise the profit and loss account, balance sheet, statement of changes in equity, the cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of the directors and inspection of policy documentation as to the company's policies and procedures to prevent and detect fraud that apply to this company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes;
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify unusual or unexpected relationships.

Independent Auditor's Report to the Members Of Fresh-Pak Chilled Foods Limited (continued)

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, including: the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. In determining the audit procedures we have taken into account the results of our evaluation and we performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted to unusual accounts involving revenue and cash.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, and certain aspects of company legislation, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the Members Of Fresh-Pak Chilled Foods Limited (*continued*)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Independent Auditor's Report to the Members Of Fresh-Pak Chilled Foods Limited *(continued)*

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

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



Emma Gardiner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

7 September 2023

Profit and loss account

For the period ended 31 December 2022

	Note	Period ended 31 December 2022			Period ended 1 January 2022		
		Before Exceptional items £000	Exceptional Items Note 4 £000	After Exceptional items £'000	Before Exceptional items £000	Exceptional Items Note 4 £000	After Exceptional items £'000
Turnover	2	75,949	-	75,949	73,772	-	73,772
Cost of sales		(71,406)	-	(71,406)	(64,179)	-	(64,179)
Gross profit		4,543	-	4,543	9,593	-	9,593
Selling and distribution costs		(4,880)	-	(4,880)	(4,474)	-	(4,474)
Administrative expenses		(2,661)	(581)	(3,242)	(2,521)	(739)	(3,260)
Operating (loss)/profit	3	(2,998)	(581)	(3,579)	2,598	(739)	1,859
Interest receivable and similar income		-	-	-	-	-	-
Interest payable and similar charges	7	(425)	-	(425)	(250)	-	(250)
(Loss)/profit on ordinary activities before taxation		(3,423)	(581)	(4,004)	2,348	(739)	1,609
Taxation on (loss)/profit on ordinary activities	8	940	110	1,050	(824)	141	(683)
(Loss)/profit on ordinary activities after taxation		(2,483)	(471)	(2,954)	1,524	(598)	926

All amounts relate to continuing operations.

There was no other comprehensive income for 2021 or 2022 other than that included in the profit and loss account.

The notes on pages 16 to 27 form part of these financial statements.

Balance sheet

At 31 December 2022

	Note	As at 31 December 2022 £000	As at 1 January 2022 £000
Fixed assets			
Tangible fixed assets	9	12,944	11,450
Fixed asset investments	10	270	270
		<hr/>	<hr/>
		13,214	11,720
Current assets			
Stocks	11	2,349	1,810
Debtors	12	32,186	32,978
Cash at bank		201	155
		<hr/>	<hr/>
		34,736	34,943
Creditors: amounts falling due within one year	15	(21,656)	(17,242)
		<hr/>	<hr/>
Net current assets		13,080	17,701
		<hr/>	<hr/>
Total assets less current liabilities		26,294	29,421
Creditors: amounts falling due after more than one year	14	(690)	-
Provision for liabilities	15	(1,275)	(2,138)
		<hr/>	<hr/>
Net assets		24,329	27,283
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	2,864	2,864
Share premium account		131	131
Other reserve		35	35
Profit and loss account		21,299	24,253
		<hr/>	<hr/>
Shareholders' funds		24,329	27,283
		<hr/>	<hr/>

The notes on pages 16 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 06 September 2023 and were signed on its behalf by:



L M Scott
Director

Statement of changes in equity

For the period ended 31 December 2022

	Called-up Share Capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total Capital and Reserves £000
At 3 January 2021	2,864	131	35	23,327	26,357
Profit for the period	-	-	-	926	926
At 1 January 2022	2,864	131	35	24,253	27,283
	Called-up Share Capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total Capital and Reserves £000
At 2 January 2022	2,864	131	35	24,253	27,283
Loss for the period	-	-	-	(2,954)	(2,954)
At 31 December 2022	2,864	131	35	21,299	24,329

The notes on pages 16 to 27 form part of these financial statements.

Notes to the financial statements

(Forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements present information about the company as an individual undertaking and not about its group. Information in respect of Deli Fresh Chilled Foods Limited, the company's subsidiary undertaking, is included in Note 10 to the accounts.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the following exemptions available under FRS102:

- Cash flow statement and related notes.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting reference date is 31 December. The financial statements balance sheet date is the Saturday closest to the accounting reference date each financial period end. The full financial period is 52 weeks or 53 weeks.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

The company manages its day-to-day working capital requirements using a Receivables financing facility which was renewed on 15 June 2022 for a minimum term ending 31 March 2026. At 31 December 2022 £5,923,000 of the £8,672,000 facility had been utilised (see note 13). Subsequent to the year end, on 30 August 2023, the company has reset the covenants applied to the facility. At the date of finalising these financial statements, the company had utilised £7,916,000 of the available facility.

The directors have prepared a going concern assessment for 12 months from the date of approving these financial statements which indicates that the company will have sufficient funds, through its Receivables financing facility, to meet its liabilities as they fall due and to meet its covenant requirements. The forecasts consider the director's view of the current and future economic environments that are expected to prevail for the going concern assessment period and include assumptions regarding future revenue and costs together with risk and mitigating actions where applicable for the going concern assessment period. These forecasts indicate that the company is able to meet its liabilities as they fall due for the going concern assessment period. The directors have also modelled a severe but plausible downside scenario which considers the potential impact should the company experience the loss of a customer, and other plausible assumptions including interest rate increases and changes to inflation rates on raw materials and packaging. Under the downside scenarios considered, the company will have sufficient liquidity and headroom on the reset covenants through mitigating actions available.

The ability of the company to remain as a going concern is also dependent on the company's intermediate parent company, Zara Holdings S.á.r.l not seeking repayment of the amounts currently owed to it by a fellow subsidiary in the going concern assessment period. On 16 February 2023, Zara Holdings S.á.r.l extended the maturity of the investor loan notes owed by a fellow subsidiary, that will expire in December 2023, for a period of two years to December 2025. At the balance sheet date the investor loan notes amounted to £19,317,000.

Zara Holding S.á.r.l. has indicated that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period. As with any company placing reliance on other group entities for financial

Notes (continued)

1 Accounting policies (continued)

Going concern

support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less provision for impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land & buildings	-	over 10 to 25 years
Plant and machinery	-	over 5 to 11 years
Motor vehicles (included within plant & machinery)		25% reducing balance

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are valued at a lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Notes (continued)

1 Accounting policies (continued)

Turnover

Sales are recognised when the significant risks and benefits of ownership of the product have transferred to the customer, which is usually on despatch, or in accordance with Incoterms for exports. Turnover consists of sales to third parties net of trade discounts and excluding VAT and sales taxes. The directors consider that all sales constitute once class of business.

2 Turnover

Turnover is attributable to one continuing activity, the manufacture of convenience chilled food products.

An analysis of turnover by geographical market is as follows:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
United Kingdom	75,924	73,719
Europe	25	53
	<u>75,949</u>	<u>73,772</u>

3 Operating (loss)/profit

The operating profit is stated after charging:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Depreciation of tangible fixed assets - owned by the company	1,640	1,365
Auditor remuneration		
- Audit of these financial statements	74	55
- Taxation compliance services	12	13
- Other taxation services	22	12
Grant income – Coronavirus Job Retention Scheme	-	9
Grant income – Apprenticeship Employee Scheme	-	1
Grant income – Poached Egg Product Development	11	11
Operating lease rentals – land and buildings	587	587
Operating lease rentals – plant and machinery	478	456
	<u>587</u>	<u>456</u>

4 Exceptional costs

The operating loss before tax is stated after charging an exceptional item of £581,000 (2021: £739,000).

Exceptional items in the current year relate to external consultancy costs for a specific operations improvement programme (£203,000).

Other exceptional costs in the current year relate to strategic project and restructuring costs outside the normal course of business (378,000).

Notes (continued)

5 Staff costs

Staff costs were as follows:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Wages and salaries	12,685	12,180
Social security costs	1,224	1,072
Other pension costs	312	268
	<hr/> 14,221 <hr/>	<hr/> 13,520 <hr/>

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

	Period ended 31 December 2022 No of employees	Period ended 1 January 2022 No of employees
Production staff	361	382
Sales and distribution staff	11	11
Administration staff	105	109
	<hr/> 477 <hr/>	<hr/> 502 <hr/>

Pensions contributions outstanding at the period end amount to £50,591 (2021: £47,719).

Notes (continued)

6 Directors' remuneration

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Emoluments	863	1,248
	<u> </u>	<u> </u>
Company pension contributions to money purchase pension schemes	49	29
	<u> </u>	<u> </u>

During the period retirement benefits were accruing to 4 directors (2021: 3) in respect of money purchase pension schemes.

The amounts in respect of the highest paid director were as follows:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Emoluments	281	531
	<u> </u>	<u> </u>
Pension contributions	-	-
	<u> </u>	<u> </u>

7 Interest payable and similar charges

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Receivables financing facility	356	242
Bank loans	60	-
Other	9	8
	<u> </u>	<u> </u>
Interest payable and similar charges	425	250
	<u> </u>	<u> </u>

Notes (continued)

8 Taxation on (loss)/profit on ordinary activities

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
<i>UK corporation tax</i>		
Current taxation on (loss)/profit for the period	-	195
Net payment for group relief	-	54
Adjustments in respect of prior periods	(187)	202
	<hr/>	<hr/>
Total current taxation	(187)	451
<i>Deferred taxation</i>		
Origination and reversal of timing differences		
- current period	(744)	249
- previous period	116	(206)
- change of tax rate	(235)	189
	<hr/>	<hr/>
Total deferred taxation	(863)	232
	<hr/>	<hr/>
Total taxation on (loss)/profit on ordinary activities	(1,050)	683
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax (credit)/charge for the current period

The current tax (credit)/charge for the period is at the standard rate of corporation tax in the UK 19% (2021: 19%). The differences are explained below:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
(Loss)/profit on ordinary activities before taxation	(4,004)	1,609
	<hr/>	<hr/>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19 % (2021: 19%)	(761)	306
<i>Effects of:</i>		
Expenses not deductible for tax purposes	69	113
Income not taxable for tax purposes	(9)	-
Fixed asset differences	(66)	79
Effect of change of tax rate	(235)	189
Losses carried back	23	-
Adjustment to tax in respect of prior periods	(187)	202
Adjustment to tax in respect of prior periods deferred tax	116	(206)
	<hr/>	<hr/>
Total taxation (credit)/charge for the period (see note above)	(1,050)	683
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

8 Taxation on (loss)/profit on ordinary activities (continued)

Deferred taxation

Deferred tax provided is as follows:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Liability at start of the period	1,038	806
Current period	(863)	232
	<hr/>	<hr/>
Liability at end of the period	175	1,038
	<hr/>	<hr/>

Deferred tax liability comprises:

	Period ended 31 December 2022 £000	Period ended 1 January 2022 £000
Short term timing differences	(5)	(90)
Losses and other deductions	(1,431)	-
Fixed asset timing differences	1,611	1,128
	<hr/>	<hr/>
Total (note 15)	175	1,038
	<hr/>	<hr/>

Factors affecting the tax charge for future periods

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 31 December 2022 has been calculated based on this rate.

Notes (continued)

9 Tangible fixed assets

	Leasehold land and buildings £000	Plant and Machinery £000	Total £000
<i>Cost</i>			
At 1 January 2022	5,838	24,208	30,046
Additions	-	3,134	3,134
	<hr/>	<hr/>	<hr/>
At 31 December 2022	5,838	27,342	33,180
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2022	3,772	14,824	18,596
Charge for the period	291	1,349	1,640
	<hr/>	<hr/>	<hr/>
At 31 December 2022	4,063	16,173	20,236
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2022	1,775	11,169	12,944
	<hr/>	<hr/>	<hr/>
At 1 January 2022	2,066	9,384	11,450
	<hr/>	<hr/>	<hr/>

Plant and Machinery additions includes tangible fixed assets that have not been commissioned or are in progress at the balance sheet date. These amount to £1,398,000 (2021: £1,247,000) of tangible fixed assets that are not depreciated at the balance sheet date.

10 Fixed asset investments

	Shares in group companies £000
<i>Cost</i>	
As at 1 January 2022 and 31 December 2022	550
	<hr/>
<i>Amount provided</i>	
As at 1 January 2022 and 31 December 2022	280
	<hr/>
<i>Carrying value</i>	
As at 1 January 2022 and 31 December 2022	270
	<hr/>

Under the provisions of section 400 of the Companies Act 2006 the company is exempt from preparing consolidated accounts. Therefore, the accounts show information about the company as an individual entity.

The company holds 100% of the issued ordinary share capital of Deli Fresh Chilled Foods Limited, which is incorporated in England, and does not currently trade. The registered address of Deli Fresh Chilled Foods is Waterside Park, Valley Way, Wombwell, Barnsley, S73 0BB.

Notes (continued)

11 Stocks

	As at 31 December 2022 £000	As at 1 January 2022 £000
Raw material	2,107	1,646
Finished goods and goods for resale	242	164
	<hr/> 2,349	<hr/> 1,810
	<hr/> <hr/>	<hr/> <hr/>

Raw materials consumed and changes in finished goods recognised as cost of sales in the year amounted to £42,688,000 (2021: £39,999,000). The write down of stocks to net realisable value amounted to £326,000 (2021: £104,000). The write down is included in cost of sales if applicable.

12 Debtors

	As at 31 December 2022 £000	As at 1 January 2022 £000
Trade debtors	8,605	7,488
Shareholder loans notes	15,582	13,260
Amounts owed by group undertakings	6,171	11,534
Corporation tax	390	-
Other debtors	677	197
Prepayments and accrued income	761	499
	<hr/> 32,186	<hr/> 32,978
	<hr/> <hr/>	<hr/> <hr/>

The amounts owed by group undertakings are unsecured and non-interest bearing and repayable on demand.

The shareholder loan notes are formally documented and owed by an intermediary parent company and attract a fixed rate of interest of 6.44% which compounds annually. The capital and interest are repayable on demand.

Notes (continued)

13 Creditors: amounts falling due within one year

	As at 31 December 2022 £000	As at 1 January 2022 £000
Receivables financing facility (see below)	5,923	4,153
Bank loans (see below)	138	-
Trade creditors	11,224	8,890
Amounts owed to group undertakings	949	562
Amounts owed to subsidiary undertakings	350	350
Corporation tax	-	143
Social security and other taxes	410	308
Other creditors	195	215
Accruals and deferred income	2,467	2,621
	<u>21,656</u>	<u>17,242</u>

The amounts owed to group undertakings are unsecured and non-interest bearing and repayable on demand.

The company's borrowings, excluding share capital, at the balance sheet date together with their principal terms were as follows:

	Invested capital outstanding at period end £'000	Repayment terms	Interest
Receivables financing facility	5,923	£8.7m facility, minimum period to 31 March 2026	Base Rate +2.85%
Capex loan	828	£0.8m facility, repayable by 31 March 2026	Base Rate +4.0%
Capex loan falling due within one year (see above)	138		
Capex loan falling due after one year (see note 14)	690		
	<u>828</u>		

The Receivable's financing facility was renewed on 15 June 2022 for a minimum term ending 31 March 2026. The facility was increased from £7.5m to £8.7m upon renewal. The Capex loan facility was agreed on 15 June 2022, is fully drawn down and is repayable quarterly from 30 June 2023 to 31 March 2026 in equal instalments.

14 Creditors: amounts falling due after one year

	As at 31 December 2022 £'000	As at 1 January 2022 £'000
Bank loan (see note 13)	690	-

Notes (continued)

15 Provisions

	Property provisions	Deferred Tax	Total
	£000	£000	£000
At 1 January 2022	1,100	1,038	2,138
Charged during the period	-	(863)	(863)
	<u>1,100</u>	<u>175</u>	<u>1,275</u>
At 31 December 2022	<u>1,100</u>	<u>175</u>	<u>1,275</u>

Property provisions comprise net future rents payable on onerous property leases and provision for terminal dilapidations. The majority of the provision is expected to be utilised over the remaining 19 years of the main lease provided for.

16 Called up equity share capital

	As at 31 December 2022 £000	As at 1 January 2022 £000
<i>Allotted, called up and fully paid</i>		
2,864,473 Ordinary shares of £1 each	2,864	2,864

17 Commitments

a) Capital commitments at the end of the financial period for which no provision has been made, are as follows:

	As at 31 December 2022 £000	As at 1 January 2022 £000
Contracted	1,315	355

b) Non-cancellable operating lease rentals are payable as follows:

	As at 31 December 2022 £000	As at 1 January 2022 £000
Less than one year	822	761
In the second to fifth years inclusive	2,419	2,350
Over five years	8,792	9,155
	<u>12,033</u>	<u>12,266</u>

Notes *(continued)*

18 Related party transactions

The company has taken advantage of the exemption from disclosing transactions with related parties that are part of the Upsilon Topco Limited group of companies.

During the period the company traded with the Coveris group of companies, which are under common ownership. The amount traded with the group during the period was £250,245 (2021: £1,463,005) and the amount outstanding at the period end was £131,196 (2021: £229,625).

The only other related party transactions are payments to directors under their service contracts. They are disclosed in the director's emoluments (see note 6).

19 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Chilled Foods (UK) Ltd and the company's ultimate parent undertaking and controlling entity is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

Upsilon Topco Limited is the smallest and largest company for which consolidated accounts including Fresh-Pak Chilled Foods Limited are prepared. The consolidated accounts of Upsilon Topco Limited are available from Companies House.

20 Post balance sheet events

On 16 February 2023, Zara Holdings S.á.r.l extended the maturity of the loan notes owed by a fellow subsidiary, that will expire in December 2023, for a period of two years to December 2025.