

KEPAK GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

KEPAK GROUP LIMITED

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KEPAK GROUP LIMITED

COMPANY INFORMATION

DIRECTORS	John Horgan Robert Grogan Liam Keating
COMPANY SECRETARY	Liam Keating
REGISTERED NUMBER	SC440783
REGISTERED OFFICE	Cookston Road Portlethen Aberdeen AB12 4QB
INDEPENDENT AUDITORS	Mazars Chartered Accountants and Statutory Audit Firm Block 3 - Harcourt Centre Harcourt Road Dublin 2
BANKERS	Allied Irish Banks 26 Finsbury Square London EC2A 1DS
SOLICITORS	Forbes Solicitors Oak House 28 Sceptre Way Walton Summit Preston Lancashire PR5 6AW

**STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2019**

BUSINESS REVIEW

The Company is engaged in red meat processing. The Company's turnover, in the seventeen months from 29 July 2018 to 31 December 2019, was £657m (2018 - £463m). Net assets at 31 December 2019 amounted to £1.8m (2018 - £12.1m). The Company's year-end was changed to align with the parent's reporting dates.

PRINCIPAL RISKS AND UNCERTAINTIES

Economic Risk

The Company's trading is significantly influenced by (i) the availability and pricing of high quality beef and lamb stocks, (ii) the risk of increased interest rates and/or inflation having an adverse impact on served markets, (iii) the risk of unrealistic increases in wages or infrastructural cost impacting adversely on competitiveness of the Company and its principal customers and (iv) the risk of adverse exchange movements. The Company actively manages its purchasing activity by innovative product sourcing to ensure an adequate supply of stocks to meet market requirements. These risks are also managed by strict control of costs. Foreign exchange exposure is actively managed using both forward foreign exchange contracts and currency contracts.

Competition Risk

The Company has traditionally been at risk from competitors, using tactics such as predatory pricing, looking to damage key customer relationships. The directors of the Company manage competition risk through paying close attention to customer service levels and by distinguishing the Company from our competitors through innovation of both products and services.

Environmental Risk

The Company is continually at risk from the various animal and human health scares that are linked to food. In recent years, this has included foot and mouth disease, avian flu and BSE. The Company has developed product quality and traceability systems to minimise the potential risks from all known sources.

Financial Risk

The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

FINANCIAL KEY PERFORMANCE INDICATORS

Movement in Turnover

2019 vs. 2018 0.08% annualised

2018 vs. 2017 (2.9%)

2017 vs. 2016 (0.3%)

Movement in Operating Profit (before Exceptional Items)

2019 vs. 2018 135% annualised

2018 vs. 2017 (209%)

2017 vs. 2016 87%

KEPAK GROUP LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2019**

DIRECTORS' STATEMENT OF COMPLIANCE WITH DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

The Directors of the Company must act in a way they consider, in good faith, would most likely promote the success of the Company for the benefits of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequence of any decision in the long term
- The interest of the Company's employees
- The need to foster the Company's business relationships with suppliers, customer and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company

The Board considers that it has complied in all material respects with their duties under Section 172 (1) of the Companies Act 2006.

This report was approved by the board on 3 December 2020 and signed on its behalf.

John Horgan
Director

Robert Grogan
Director

KEPAK GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the period ended 31 December 2019.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £10,352 thousand (2018 -loss £4,133 thousand).

No dividends (2018 - Nil) or transfers to reserves are recommended by the directors.

DIRECTORS

The Directors who served during the period were:

John Horgan
Robert Grogan
Liam Keating

ENVIRONMENTAL MATTERS

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations.

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2019**

FUTURE DEVELOPMENTS

It is the intention of the Directors to continue to develop the activities of the Company.

ENGAGEMENT WITH EMPLOYEES

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. In addition, some employees receive an annual bonus related to the overall profitability of the Company.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Company and its Directors ensure that exceptional customer satisfaction is at the core of the business and it is recognised that, in order to perform successfully, engagement with employees and support where relevant is required as the employees represent the frontline of the delivery of service.

The Company culture is imperative to uphold and this is done so via the Directors and senior management team who are in direct contact with the employees on a regular basis to ensure all objectives are aligned and a good working environment exists within the Company. The Directors, via senior leadership, ensure the setting and maintaining of core Company values, and ensure ethical business behaviours.

The Company culture also includes a focus on building and maintaining relationships with key suppliers and customers, whose support is paramount to the ongoing success of the business. Key suppliers are kept up to date with business developments and offered opportunities as they arise for continued and growing business. Key customers have built a strong relationship with the Company which allows for a joint beneficial relationship with increased business and a common trust on the level of service provided.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members 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 with that of other employees.

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.

KEPAK GROUP LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2019**

POST BALANCE SHEET EVENTS

At the time of approving these financial statements, the United Kingdom is responding to the outbreak of the coronavirus, COVID-19. The Company is part of the Kepak Group which will continue to support and finance it through this crisis. The group enjoy the full support of their banks and have adequate facilities available. The Company has continued to operate during this crisis, albeit at reduced capacity. The Directors have therefore carefully considered the impact of COVID-19 on the projected performance of the Company for 2020 and expect that management can meet the risks presented by this; accordingly no revision of the figures included in the financial statements for the period ended 31 December 2019 has been made. There have been no other events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

AUDITORS

The auditors, Mazars, commence in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 3 December 2020 and signed on its behalf.

John Horgan
Director

Robert Grogan
Director

KEPAK GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEPAK GROUP LIMITED

OPINION

We have audited the financial statements of Kepak Group Limited (the 'Company') for the period ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEPAK GROUP LIMITED (CONTINUED)

material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KEPAK GROUP LIMITED (CONTINUED)

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.

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

USE OF OUR REPORT

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Tommy Doherty (Senior Statutory Auditor)
for and on behalf of
Mazars
Chartered Accountants and Statutory Audit Firm

3 December 2020

KEPAK GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

		17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
	Note		
Turnover	4	656,923	463,350
Cost of sales		(628,448)	(431,376)
GROSS PROFIT		28,475	31,974
Distribution costs		(14,384)	(9,441)
Administrative expenses		(10,328)	(24,897)
Restructuring costs	10	(9,808)	-
OPERATING LOSS	5	(6,045)	(2,364)
Interest payable and expenses	8	(3,997)	(1,464)
LOSS BEFORE TAX		(10,042)	(3,828)
Tax on loss	9	(310)	(305)
LOSS FOR THE FINANCIAL PERIOD		(10,352)	(4,133)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Other comprehensive income		8,902	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		8,902	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,450)	(4,133)

The notes on pages 15 to 32 form part of these financial statements.

KEPAK GROUP LIMITED
REGISTERED NUMBER: SC440783

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 £000	28 July 2018 £000
FIXED ASSETS			
Intangible assets	11	-	3,438
Tangible assets	12	26,166	8,102
		<u>26,166</u>	<u>11,540</u>
CURRENT ASSETS			
Stocks	13	25,115	29,890
Debtors: amounts falling due within one year	14	38,800	38,085
Cash at bank and in hand	15	786	12
		<u>64,701</u>	<u>67,987</u>
Creditors: amounts falling due within one year	16	(88,443)	(66,153)
		<u>(23,742)</u>	<u>1,834</u>
NET CURRENT (LIABILITIES)/ASSETS			
		<u>2,424</u>	<u>13,374</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
Creditors: amounts falling due after more than one year	17	(537)	(1,012)
PROVISIONS FOR LIABILITIES			
Other provisions	21	(33)	-
		<u>(33)</u>	<u>-</u>
Accruals and deferred income	22	(95)	(251)
		<u>1,759</u>	<u>12,111</u>
NET ASSETS EXCLUDING PENSION ASSET			
		<u>1,759</u>	<u>12,111</u>
NET ASSETS			
		<u>1,759</u>	<u>12,111</u>
CAPITAL AND RESERVES			
Capital contribution reserve	24	-	8,902
Profit and loss account	24	1,759	3,209
		<u>1,759</u>	<u>12,111</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 December 2020.

John Horgan
Director

Robert Grogan
Director

The notes on pages 15 to 32 form part of these financial statements.

KEPAK GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2017	-	-	7,342	7,342
COMPREHENSIVE INCOME FOR THE PERIOD				
Loss for the period	-	-	(4,133)	(4,133)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(4,133)	(4,133)
Capital contribution	-	8,902	-	8,902
TOTAL TRANSACTIONS WITH OWNERS	-	8,902	-	8,902
At 29 July 2018	-	8,902	3,209	12,111
COMPREHENSIVE INCOME FOR THE PERIOD				
Loss for the period	-	-	(10,352)	(10,352)
Transfer to profit and loss account	-	-	8,902	8,902
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-	-	8,902	8,902
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(1,450)	(1,450)
Reversal of capital contribution	-	(8,902)	-	(8,902)
TOTAL TRANSACTIONS WITH OWNERS	-	(8,902)	-	(8,902)
AT 31 DECEMBER 2019	-	-	1,759	1,759

The notes on pages 15 to 32 form part of these financial statements.

KEPAK GROUP LIMITED

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019

	31 December 2019 £000	28 July 2018 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial period	(10,352)	(4,133)
ADJUSTMENTS FOR:		
Taxation charge	310	305
Interest charged	3,997	1,464
Depreciation of tangible assets	3,820	2,044
Amortisation of intangible assets	372	263
Loss on disposal of tangible assets	(214)	(9)
Amortisation of government grants	(157)	(113)
Decrease in stocks	4,776	929
Decrease/(increase) in debtors	1,507	(11,639)
(Increase)/decrease in amounts owed by groups	(2,532)	-
(Decrease)/increase in creditors	(42,784)	15,647
Increase in amounts owed to groups	64,533	-
Restructuring costs	9,509	-
Corporation tax received/(paid)	-	(953)
NET CASH GENERATED FROM OPERATING ACTIVITIES	32,785	3,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	-	(247)
Purchase of tangible fixed assets	(29,345)	(1,772)
Sale of tangible fixed assets	1,239	11
HP interest paid	(70)	-
NET CASH FROM INVESTING ACTIVITIES	(28,176)	(2,008)

KEPAK GROUP LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2019

	31 December 2019 £000	28 July 2018 £000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance leases	(369)	(328)
Interest paid	(3,920)	(1,464)
NET CASH USED IN FINANCING ACTIVITIES	(4,289)	(1,792)
INCREASE IN CASH AND CASH EQUIVALENTS	320	5
Cash and cash equivalents at beginning of period	12	7
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	332	12
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD COMPRISE:		
Cash at bank and in hand	786	12
Bank overdrafts	(454)	-
	332	12

The notes on pages 15 to 32 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

The Company is limited by shares and incorporated in the United Kingdom, having its registered office at Cookston Road, Portlethen, Aberdeen, AB12 4QB. The Company's registered number is SC440783. The Company's principal activity continued to be red meat processing.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The Company changed its year end to 31 December 2019; therefore the period in the financial statements is from 29 July 2018 to 31 December 2019, and comparative from 30 July 2017 to 28 July 2018.

The following principal accounting policies have been applied:

2.2 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 REVENUE RECOGNITION

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

Sale of goods

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

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

2.4 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.5 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.6 FINANCE COSTS

Finance costs are charged to profit or loss 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 capital instrument.

2.7 BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.8 PENSIONS

Defined contribution pension plan

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

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

2.9 CURRENT AND DEFERRED TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.10 EXCEPTIONAL ITEMS

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.11 INTANGIBLE ASSETS

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.12 TANGIBLE FIXED ASSETS

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

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

Depreciation is provided on the following basis:

Freehold property	-
Plant and machinery	-
Motor vehicles	-

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 STOCKS

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.14 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 CASH AND CASH EQUIVALENTS

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

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

2.16 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.18 PROVISIONS FOR LIABILITIES

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

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

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

2.19 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)**2.19 FINANCIAL INSTRUMENTS (continued)**

company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported profits, assets and liabilities. Assumptions include, but are not limited to, the following areas:

Provision for Risks and Liabilities:

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits would be required to settle the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability.

4. TURNOVER

Analysis of turnover by country of destination:

	17 months ended 31 December 2019 £000	<i>12 months ended 28 July 2018 £000</i>
United Kingdom	627,502	416,493
Rest of Europe	27,451	46,218
Rest of the world	1,970	639
	<u>656,923</u>	<u>463,350</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

5. OPERATING LOSS

The operating loss is stated after charging:

	17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
Exchange differences	335	-
Depreciation of tangible fixed assets	3,819	2,044
Amortisation of intangible assets	372	263
Amortisation of government grants	(157)	(113)
Other operating lease rentals	725	2,926
Exceptional restructuring costs	<u>9,808</u>	<u>-</u>

6. AUDITORS' REMUNERATION

	17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>66</u>	<u>40</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

7. EMPLOYEES

Staff costs were as follows:

	17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
Wages and salaries	54,983	35,408
Social security costs	5,320	3,191
Cost of defined contribution scheme	1,156	653
	<u>61,459</u>	<u>39,252</u>

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

	17 months ended 31 December 2019 No.	12 months ended 28 July 2018 No.
Production	1,321	1,236
Selling and distribution	10	-
Administration	69	240
	<u>1,400</u>	<u>1,476</u>

The Directors remuneration is nil for both the current period and the prior year.

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
Bank interest payable	255	-
Loans from group undertakings	3,672	1,464
Finance leases and hire purchase contracts	70	-
	<u>3,997</u>	<u>1,464</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

9. TAXATION

	17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
CORPORATION TAX		
Current tax on profits for the year	-	(940)
Adjustments in respect of previous periods	-	(130)
	-	(1,070)
TOTAL CURRENT TAX	-	(1,070)
DEFERRED TAX		
Origination and reversal of timing differences	310	1,375
TOTAL DEFERRED TAX	310	1,375
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	310	305

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

9. TAXATION (CONTINUED)**FACTORS AFFECTING TAX CHARGE FOR THE PERIOD**

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

	17 months ended 31 December 2019 £000	<i>12 months ended 28 July 2018 £000</i>
Loss on ordinary activities before tax	<u>(10,042)</u>	<u><i>(3,828)</i></u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	(1,908)	<i>(727)</i>
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	47	<i>(85)</i>
Capital allowances for period in excess of depreciation	16	<i>-</i>
Adjustments to tax charge in respect of prior periods	-	<i>(130)</i>
Other timing differences leading to an increase (decrease) in taxation	310	<i>-</i>
Unrelieved tax losses carried forward	735	<i>-</i>
Other differences leading to an increase (decrease) in the tax charge	929	<i>(46)</i>
Group relief	181	<i>1,293</i>
TOTAL TAX CHARGE FOR THE PERIOD	<u>310</u>	<u><i>305</i></u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were enacted on 26 October 2015. The Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016. Together this will reduce the Company's future tax charges accordingly.

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

10. RESTRUCTURING COSTS

	17 months ended 31 December 2019 £000	12 months ended 28 July 2018 £000
Restructuring costs	9,808	-
	<u>9,808</u>	<u>-</u>

Exceptional items of £9.8m have been recognised in the period, primarily comprising a restructuring of the Company. These costs included redundancy costs of £2.1m, goodwill written off of £2.9m, losses relating to the closure and disposal of Victoria and Truro of £3.9m and stock losses and other costs of £0.9m.

11. INTANGIBLE ASSETS

	Goodwill £000
At 29 July 2018	4,682
Transfers to Tangible Assets	(248)
Write off	(4,434)
	<u>-</u>
At 31 December 2019	-
	<u>-</u>
At 29 July 2018	1,244
Charge for the period	372
Transfers to Tangible Assets	(41)
Write off	(1,575)
	<u>-</u>
At 31 December 2019	-
	<u>-</u>
NET BOOK VALUE	
At 31 December 2019	<u>-</u>
At 28 July 2018	<u>3,438</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

12. TANGIBLE FIXED ASSETS

	Freehold Property £000	Plant and Machinery £000	Motor Vehicles £000	Total £000
COST OR VALUATION				
At 29 July 2018	-	14,197	36	14,233
Additions	26,172	3,147	-	29,319
Transfers from Intangible Assets	-	248	-	248
Disposals	(6,105)	(6,026)	-	(12,131)
Reclassification from Depreciation	-	4,542	10	4,552
	<u>20,067</u>	<u>16,108</u>	<u>46</u>	<u>36,221</u>
At 31 December 2019				
DEPRECIATION				
At 29 July 2018	-	6,109	22	6,131
Charge for the period on owned assets	1,305	2,501	14	3,820
Transfers from Intangible Assets	-	41	-	41
Disposals	(2,747)	(4,327)	-	(7,074)
Reclassification to Cost	-	4,542	10	4,552
Impairment	2,585	-	-	2,585
	<u>1,143</u>	<u>8,866</u>	<u>46</u>	<u>10,055</u>
At 31 December 2019				
NET BOOK VALUE				
At 31 December 2019	<u>18,924</u>	<u>7,242</u>	<u>-</u>	<u>26,166</u>
At 28 July 2018	<u>-</u>	<u>8,088</u>	<u>14</u>	<u>8,102</u>

13. STOCKS

	31 December 2019 £000	28 July 2018 £000
Meat and offal	22,371	25,755
Consumables	2,744	4,135
	<u>25,115</u>	<u>29,890</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

14. DEBTORS

	31 December 2019 £000	28 July 2018 £000
Trade debtors	30,568	32,780
Amounts owed by group undertakings	2,532	-
Other debtors	3,910	3,205
Deferred taxation	1,790	2,100
	<u>38,800</u>	<u>38,085</u>

15. CASH AND CASH EQUIVALENTS

	31 December 2019 £000	28 July 2018 £000
Cash at bank and in hand	786	12
Less: bank overdrafts	(454)	-
	<u>332</u>	<u>12</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

16. CREDITORS: Amounts falling due within one year

	31 December 2019 £000	28 July 2018 £000
Bank overdrafts	454	-
Trade creditors	13,958	24,438
Amounts owed to group undertakings	64,533	-
Other taxation and social security	977	598
Obligations under finance lease and hire purchase contracts	447	341
Other creditors	8,074	40,776
	<u>88,443</u>	<u>66,153</u>

The repayment terms of trade creditors vary between on demand and sixty days. No interest is payable on trade creditors.

Tax and social insurance are subject to the terms of the relevant legislation. Interest accrues on late payment at the rate of 0.02% per day in Ireland and 3% per annum in the U.K. No interest was due at the financial year end date.

The terms of the accruals are based on the underlying contracts.

Amounts owed to one specific group undertaking are unsecured, interest bearing and repayable on demand.

Other amounts included within creditors not covered by specific note disclosures are unsecured, interest free and repayable on demand.

The Company has granted fixed and floating charges on its assets to secure all the borrowings of the group from the banks providing facilities. All group borrowings are also secured by cross guarantees from group companies and the parent company. The group also has access to an overdraft facility which is secured on the third party debtors of the group.

	31 December 2019 £000	28 July 2018 £000
OTHER TAXATION AND SOCIAL SECURITY		
PAYE/NI	977	598
	<u>977</u>	<u>598</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

17. CREDITORS: Amounts falling due after more than one year

	31 December 2019 £000	28 July 2018 £000
Net obligations under finance leases and hire purchase contracts	537	1,012
	<u>537</u>	<u>1,012</u>

18. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	31 December 2019 £000	28 July 2018 £000
Within one year	447	341
Between 1-5 years	537	1,012
	<u>984</u>	<u>1,353</u>

19. FINANCIAL INSTRUMENTS

	31 December 2019 £000	28 July 2018 £000
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	786	12
Financial assets that are debt instruments measured at amortised cost	36,006	35,985
	<u>36,792</u>	<u>35,997</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	<u>(87,114)</u>	<u>(65,465)</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

20. DEFERRED TAXATION

	2019 £000
At beginning of period	2,100
Charged to the profit or loss	(310)
	<hr/>
AT END OF PERIOD	1,790
	<hr/>

The deferred tax asset is made up as follows:

	31 December 2019 £000	28 July 2018 £000
Accelerated capital allowances	1,070	2,093
Tax losses carried forward	705	-
Other timing differences	15	7
	<hr/>	<hr/>
	1,790	2,100
	<hr/>	<hr/>

21. PROVISIONS

	Restructuring Costs £000
Charged to profit or loss	9,808
Utilised in period	(9,775)
	<hr/>
AT 31 DECEMBER 2019	33
	<hr/>

22. DEFERRED INCOME

	31 December 2019 £000	28 July 2018 £000
Grants	95	251
	<hr/>	<hr/>
	(95)	(251)
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

23. SHARE CAPITAL

	31 December 2019 £000	<i>28 July 2018 £000</i>
Authorised, allotted, called up and fully paid		
1 (2018 - 1) Ordinary shares share of £1.00	<u>-</u>	<u>-</u>

24. RESERVES**Capital redemption reserve**

In 2018, Boparan Holdings Limited (the previous owner of the Company) waived an intercompany creditor balance which created a capital contribution of £8,902,000 in line with FRS 102 Section 22. This was reversed during the period.

Profit and loss account

The profit and loss account reserve represents cumulative gains and losses recognised in the Income Statement, net of transfers to/from other reserves.

25. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,156,000 (2018 - £653,000). Contributions totalling £221,000 (2018 - £61,000) were payable to the fund at the balance sheet date and are included in creditors

26. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2019 £000	<i>28 July 2018 £000</i>
Not later than 1 year	378	<i>341</i>
Later than 1 year and not later than 5 years	196	<i>1,012</i>
	<u>574</u>	<u><i>1,353</i></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

27. RELATED PARTY TRANSACTIONS

The Company has availed of the exemption under Section 33 of FRS 102 not to disclose transactions between group companies.

The Directors are considered to be the key management personnel of the Company. The Directors are not paid any remuneration by the Company.

28. POST BALANCE SHEET EVENTS

At the time of approving these financial statements, the United Kingdom is responding to the outbreak of the coronavirus, COVID-19. The Company is part of the Kepak Group which will continue to support and finance it through this crisis. The group enjoy the full support of their banks and have adequate facilities available. The Company has continued to operate during this crisis, albeit at reduced capacity. The Directors have therefore carefully considered the impact of COVID-19 on the projected performance of the Company for 2020 and expect that management can meet the risks presented by this; accordingly no revision of the figures included in the financial statements for the period ended 31 December 2019 has been made. There have been no other events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto.

29. CONTROLLING PARTY

The Company's parent is Kepak Holdings; the ultimate holding company is Kingate Investments Unlimited, an unlimited company incorporated in the Isle of Man.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.