



**KEPAK GROUP LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

# KEPAK GROUP LIMITED

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## KEPAK GROUP LIMITED

### COMPANY INFORMATION

#### DIRECTORS

Simon Walker  
Robert Grogan  
John Horgan  
Liam Keating (resigned 29 September 2022)

#### COMPANY SECRETARY

Barry McChesney

#### REGISTERED NUMBER

SC440783

#### REGISTERED OFFICE

Cookston Road  
Portlethen  
Aberdeen  
Scotland  
AB124QB

#### INDEPENDENT AUDITORS

Mazars  
Chartered Accountants and Statutory Audit Firm  
Block 3 - Harcourt Centre  
Harcourt Road  
Dublin 2

#### BANKERS

Allied Irish Banks  
City Business Centre  
26 Finsbury Square  
London  
EC2A 1DS

#### SOLICITORS

Forbes Solicitors  
Oak House  
28 Sceptre Way  
Walton Summit  
Preston  
Lancashire  
PR5 6AW

## **KEPAK GROUP LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **BUSINESS REVIEW**

The Company is engaged in red meat processing. The Company's turnover was £571m (2021 - £527m). Net assets at 31 December 2022 amounted to £5.3m (2021 - £3.3m).

The Directors are pleased to report a year of steady progress in rationalising and restructuring the business post acquisition. The company has experienced considerable success in developing and growing new and existing customer relationships while continuing to invest in upgrading manufacturing facilities. This process will continue at pace during 2023.

In line with the wider economy the company has experienced the negative impact of elevated levels of inflation driven primarily by wages, energy, feed, and fertiliser. This has been offset somewhat by robust market conditions and strong demand both domestically and internationally for the entire product range. This inflationary impact is demonstrated in increased working capital with little offset by way of trade credit.

Forecasts of continuing high inflation combined with the consequent increase in interest rates, along with reduced consumer demand is expected to offset profits and will inevitably lead to a more difficult trading environment in 2023.

#### **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 bovine spongiform encephalopathy. 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.

## KEPAK GROUP LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### FINANCIAL KEY PERFORMANCE INDICATORS

##### *Movement in Turnover*

2022 vs. 2021 8.4%

2021 vs. 2020 5.7%

2020 vs. 2019 annualised 7.4%

##### *Movement in Operating Profit*

2022 vs. 2021 24.1%

2021 vs. 2020 177.0%

2020 vs. 2019 annualised (31.0%)

#### 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 17 August 2023 and signed on its behalf.

**Simon Walker**  
Director

**Robert Grogan**  
Director

## KEPAK GROUP LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

#### 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 profit for the year, after taxation, amounted to £2,055,595 (2021 - £1,975,680).

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#### DIRECTORS

The Directors who served during the year were:

Simon Walker

Robert Grogan

John Horgan

Liam Keating (resigned 29 September 2022)

#### POLITICAL CONTRIBUTIONS

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## **KEPAK GROUP LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **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.

#### **FUTURE DEVELOPMENTS**

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#### **RESEARCH AND DEVELOPMENT ACTIVITIES**

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#### **ENGAGEMENT WITH EMPLOYEES**

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#### **ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS**

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#### **DISABLED EMPLOYEES**

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#### **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.

#### **AUDITORS**

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

This report was approved by the board on 17 August 2023 and signed on its behalf.

Simon Walker  
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 year ended 31 December 2022, 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. our responsibilities under those standards are further described in the 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**

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

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

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



## **KEPAK GROUP LIMITED**

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

#### **OTHER INFORMATION**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. In connection with our audit of the financial statements, 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. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 year for which the financial statements are prepared is consistent with the financial statements; and  
the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the 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.

## **KEPAK GROUP LIMITED**

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

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Directors' Responsibilities Statement set out 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.

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

Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial

## KEPAK GROUP LIMITED

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

Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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, 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 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, as a body, 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  
17 August 2023

KEPAK GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	570,924,253.0	526,683,574.0
Cost of sales		(535,645,477.0)	(503,105,473.0)
<b>GROSS PROFIT</b>		<b>35,278,776.0</b>	<b>23,578,101.0</b>
Distribution costs		(12,617,575.0)	(9,986,114.0)
Administrative expenses		(16,543,695.0)	(8,662,283.0)
<b>OPERATING PROFIT</b>	5	<b>6,117,506.0</b>	<b>4,929,704.0</b>
Interest payable and similar expenses	8	(2,651,911.0)	(2,509,024.0)
<b>PROFIT BEFORE TAX</b>		<b>3,465,595.0</b>	<b>2,420,680.0</b>
Tax on profit	9	(1,410,000.0)	(445,000.0)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>2,055,595.0</b>	<b>1,975,680.0</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,055,595.0</b>	<b>1,975,680.0</b>

The notes on pages 17 to 31 form part of these financial statements.

**KEPAK GROUP LIMITED**  
**REGISTERED NUMBER: SC440783**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>FIXED ASSETS</b>			
Tangible assets	10	36,365,447.0	32,121,802.0
		<u>36,365,447.0</u>	<u>32,121,802.0</u>
<b>CURRENT ASSETS</b>			
Stocks	11	30,239,830.0	27,612,456.0
Debtors: amounts falling due within one year	12	59,326,791.0	35,906,729.0
Cash at bank and in hand	13	491,036.0	133,783.0
		<u>90,057,657.0</u>	<u>63,652,968.0</u>
Creditors: amounts falling due within one year	14	(119,185,109.0)	(91,441,013.0)
<b>NET CURRENT LIABILITIES</b>		<u>(29,127,452.0)</u>	<u>(27,788,045.0)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,237,995.0</u>	<u>4,333,757.0</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	16	(490,000.0)	-
		<u>(490,000.0)</u>	<u>-</u>
Accruals and deferred income		(1,424,683.0)	(1,066,040.0)
<b>NET ASSETS</b>		<u><u>5,323,312.0</u></u>	<u><u>3,267,717.0</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	1.0	1.0
Profit and loss account	19	5,323,311.0	3,267,716.0
		<u><u>5,323,312.0</u></u>	<u><u>3,267,717.0</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 August 2023.

**Simon Walker**  
**Director**

**Robert Grogan**  
**Director**

The notes on pages 17 to 31 form part of these financial statements.

**KEPAK GROUP LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2021</b>	<b>1.0</b>	<b>1,292,036.0</b>	<b>1,292,037.0</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	1,975,680.0	1,975,680.0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	1,975,680.0	1,975,680.0
<b>At 1 January 2022</b>	<b>1.0</b>	<b>3,267,716.0</b>	<b>3,267,717.0</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	2,055,595.0	2,055,595.0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	2,055,595.0	2,055,595.0
<b>AT 31 DECEMBER 2022</b>	<b>1.0</b>	<b>5,323,311.0</b>	<b>5,323,312.0</b>

The notes on pages 17 to 31 form part of these financial statements.

**KEPAK GROUP LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b> £	<i>2021</i> £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	<b>2,055,595.0</b>	<i>1,975,680.0</i>
<b>ADJUSTMENTS FOR:</b>		
Taxation charge	<b>1,410,000.0</b>	<i>445,000.0</i>
Interest paid	<b>2,651,911.0</b>	<i>2,509,024.0</i>
Depreciation of tangible assets	<b>2,747,305.0</b>	<i>2,571,124.0</i>
(Profit) on disposal of tangible assets	<b>(96,433.0)</b>	<i>(1,907.0)</i>
Amortisation of government grants	<b>(66,069.0)</b>	<i>(41,611.0)</i>
(Increase)/decrease in stocks	<b>(2,627,374.0)</b>	<i>1,809,511.0</i>
(Increase) in debtors	<b>(17,455,208.0)</b>	<i>(2,878,923.0)</i>
(Increase)/decrease in amounts owed by groups	<b>(6,884,854.0)</b>	<i>991,928.0</i>
Increase in creditors	<b>8,486,544.0</b>	<i>81,183.0</i>
Increase/(decrease) in amounts owed to groups	<b>20,999,298.0</b>	<i>(3,024,926.0)</i>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>11,220,715.0</b>	<i>4,436,083.0</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	<b>(6,990,950.0)</b>	<i>(4,116,160.0)</i>
Sale of tangible fixed assets	<b>96,433.0</b>	<i>42,314.0</i>
Government grants received	<b>424,712.0</b>	<i>342,963.0</i>
Hire purchase interest paid	<b>(2,012.0)</b>	<i>(18,821.0)</i>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,471,817.0)</b>	<i>(3,749,704.0)</i>



**KEPAK GROUP LIMITED**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b> <b>£</b>	<i>2021</i> <i>£</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of new finance leases	<b>(195,200.0)</b>	<i>(402,413.0)</i>
Interest paid	<b>(2,649,899.0)</b>	<i>(2,490,203.0)</i>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,845,099.0)</b>	<i>(2,892,616.0)</i>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,903,799.0</b>	<i>(2,206,237.0)</i>
Cash and cash equivalents at beginning of year	<b>(2,260,937.0)</b>	<i>(54,700.0)</i>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b><u>(357,138.0)</u></b>	<i><u>(2,260,937.0)</u></i>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	<b>491,036.0</b>	<i>133,783.0</i>
Bank overdrafts	<b>(848,174.0)</b>	<i>(2,394,720.0)</i>
	<b><u>(357,138.0)</u></b>	<i><u>(2,260,937.0)</u></i>

The notes on pages 17 to 31 form part of these financial statements.

**KEPAK GROUP LIMITED**

**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>At 1 January 2022 £</b>	<b>Cash flows £</b>	<b>At 31 Decemb 2022 £</b>
Cash at bank and in hand	133,783.0	357,253.0	491,036.0
Bank overdrafts	(2,394,720.0)	1,546,546.0	(848,174.0)
Finance leases	(195,200.0)	195,200.0	-
	<u>(2,456,137.0)</u>	<u>2,098,999.0</u>	<u>(357,138.0)</u>

The notes on pages 17 to 31 form part of these financial statements.

# KEPAK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 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, Scotland. The Company's registered number is SC440783. The Company's principal activity continued to be beef and lamb 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 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 YEAR ENDED 31 DECEMBER 2022

**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 year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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 year 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 reporting 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 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.

## KEPAK GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.10 TANGIBLE FIXED ASSETS (CONTINUED)

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	-	4%
Plant and machinery	-	10%
Motor vehicles	-	20%

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.

##### 2.11 STOCKS

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

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

##### 2.12 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.

##### 2.13 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.

##### 2.14 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.

## KEPAK GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.15 HOLIDAY PAY ACCRUAL

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

##### 2.16 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 reporting 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.

##### 2.17 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 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 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.

**KEPAK GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**4. TURNOVER**

Analysis of turnover by country of destination:

	<b>2022</b> <b>£</b>	<i>2021</i> <i>£</i>
United Kingdom	<b>521,082,393.0</b>	<i>507,125,628.0</i>
Rest of Europe	<b>49,801,990.0</b>	<i>19,557,946.0</i>
Rest of the world	<b>39,870.0</b>	<i>-</i>
	<b><u>570,924,253.0</u></b>	<i><u>526,683,574.0</u></i>

**5. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2022</b> <b>£</b>	<i>2021</i> <i>£</i>
Other operating lease rentals	<b><u>725,900.0</u></b>	<i><u>372,911.0</u></i>

**6. AUDITORS' REMUNERATION**

During the year, the Company obtained the following services from the Company's auditors and their associates:

	<b>2022</b> <b>£</b>	<i>2021</i> <i>£</i>
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	<b>36,533.0</b>	<i>36,533.0</i>



**KEPAK GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**7. EMPLOYEES**

Staff costs were as follows:

	<b>2022</b> <b>£</b>	<i>2021</i> <i>£</i>
Wages and salaries	<b>41,593,038.0</b>	<i>35,927,667.0</i>
Social security costs	<b>4,236,591.0</b>	<i>3,449,128.0</i>
Cost of defined contribution scheme	<b>1,067,510.0</b>	<i>977,890.0</i>
	<b><u>46,897,139.0</u></b>	<i><u>40,354,685.0</u></i>

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

	<b>2022</b> <b>No.</b>	<i>2021</i> <i>No.</i>
Production	<b>1,225.0</b>	<i>1,219.0</i>
Selling and distribution	<b>11.0</b>	<i>14.0</i>
Administration	<b>64.0</b>	<i>60.0</i>
	<b><u>1,300.0</u></b>	<i><u>1,293.0</u></i>

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

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2022</b> <b>£</b>	<i>2021</i> <i>£</i>
Bank interest payable	<b>637,816.0</b>	<i>477,797.0</i>
Loans from group undertakings	<b>2,012,083.0</b>	<i>2,012,406.0</i>
Finance leases and hire purchase contracts	<b>2,012.0</b>	<i>18,821.0</i>
	<b><u>2,651,911.0</u></b>	<i><u>2,509,024.0</u></i>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

9. TAXATION

	2022 £	2021 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	-	165,000.0
	-	165,000.0
<b>TOTAL CURRENT TAX</b>	-	165,000.0
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	1,410,000.0	280,000.0
<b>TOTAL DEFERRED TAX</b>	1,410,000.0	280,000.0
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	1,410,000.0	445,000.0
<b>FACTORS AFFECTING TAX CHARGE FOR THE YEAR</b>		
The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:		
	2022 £	2021 £
Profit on ordinary activities before tax	3,465,595.0	2,420,680.0
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	658,463.1	459,929.2
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,700.0	61,064.0
Capital allowances for year in excess of depreciation	(1,704,555.0)	(348,087.0)
Utilisation of tax losses	636,765.0	-
Other timing differences leading to an increase (decrease) in taxation	1,410,000.0	280,000.0
Non-taxable income	(12,553.0)	(7,906.0)
Unrelieved tax losses carried forward	416,180.0	-
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	1,410,000.1	445,000.2
<b>Analysis Table - Please enter figures in the table above</b>	(0.1)	(0.2)

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

9. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The corporation tax rate for the year is 19% (2021 - 19%). Following Budget 2021 announcements, the proposal is to increase this rate to 25% with effect from 1 April 2023.

10. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant and Machinery £	Motor Vehicles £	Total £
<b>COST OR VALUATION</b>				
At 1 January 2022	22,131,622.0	24,919,918.0	11,715.0	47,063,255.0
Additions	524,393.0	6,466,557.0	-	6,990,950.0
Disposals	-	(294,981.0)	(2,994.0)	(297,975.0)
At 31 December 2022	22,656,015.0	31,091,494.0	8,721.0	53,756,230.0
<b>DEPRECIATION</b>				
At 1 January 2022	2,846,754.0	12,082,984.0	11,715.0	14,941,453.0
Charge for the year on owned assets	897,345.0	1,849,960.0	-	2,747,305.0
Disposals	-	(294,981.0)	(2,994.0)	(297,975.0)
At 31 December 2022	3,744,099.0	13,637,963.0	8,721.0	17,390,783.0
<b>NET BOOK VALUE</b>				
At 31 December 2022	18,911,916.0	17,453,531.0	-	36,365,447.0
At 31 December 2021	19,284,868.0	12,836,934.0	-	32,121,802.0

11. STOCKS

	2022 £	2021 £
Meat and offal	26,601,275.0	24,324,860.0
Consumables	3,638,555.0	3,287,596.0
	30,239,830.0	27,612,456.0

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

12. DEBTORS

	2022 £	2021 £
Trade debtors	45,997,492.0	30,303,703.0
Amounts owed by group undertakings	8,604,196.0	1,719,342.0
Other debtors and prepayments	2,290,438.0	2,095,686.0
VAT recoverable	2,434,665.0	867,998.0
Deferred taxation	-	920,000.0
	<u>59,326,791.0</u>	<u>35,906,729.0</u>

13. CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash at bank and in hand	491,036.0	133,783.0
Less: bank overdrafts	(848,174.0)	(2,394,720.0)
	<u>(357,138.0)</u>	<u>(2,260,937.0)</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Bank overdrafts	848,174.0	2,394,720.0
Trade creditors	20,441,876.0	17,931,786.0
Amounts owed to group undertakings	84,546,375.0	63,547,077.0
Corporation tax	165,000.0	165,000.0
Other taxation and social security	1,483,924.0	1,196,583.0
Obligations under finance lease and hire purchase contracts	-	195,200.0
Other creditors and accruals	11,699,760.0	6,010,647.0
	<u>119,185,109.0</u>	<u>91,441,013.0</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.

	2022 £	2021 £
<b>OTHER TAXATION AND SOCIAL SECURITY</b>		
PAYE/NI control	1,483,924.0	1,196,583.0
	<u>1,483,924.0</u>	<u>1,196,583.0</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

15. FINANCIAL INSTRUMENTS

	2022 £	2021 £
<b>FINANCIAL ASSETS</b>		
Financial assets measured at fair value through profit or loss	<b>491,036.0</b>	133,783.0
Financial assets that are debt instruments measured at amortised cost	<b>56,892,126.0</b>	34,118,731.0
	<u><b>57,383,162.0</b></u>	<u>34,252,514.0</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	<u><b>(118,960,868.0)</b></u>	<u>(90,950,270.0)</u>

KEPAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

16. DEFERRED TAXATION

	2022 £
At 1 January	920,000.0
Charged to the profit or loss	(1,410,000.0)
At 31 December	<u>(490,000.0)</u>

The deferred taxation balance is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(1,040,000.0)	920,000.0
Tax losses carried forward	550,000.0	-
	<u>(490,000.0)</u>	<u>920,000.0</u>

17. ACCRUALS AND DEFERRED INCOME

GOVERNMENT GRANTS

	2022 £	2021 £
<b>RECEIVED AND RECEIVABLE</b>		
At 1 January	2,234,151.0	1,891,188.0
Receivable	424,712.0	342,963.0
Disposal	-	-
At 31 December	<u>2,658,863.0</u>	<u>2,234,151.0</u>

AMORTISATION

At 1 January	1,168,111.0	1,126,500.0
Amortisation during the year	66,069.0	41,611.0
Disposal	-	-
At 31 December	<u>1,234,180.0</u>	<u>1,168,111.0</u>

NET BOOK VALUE

At 31 December	<u>1,424,683.0</u>	<u>1,066,040.0</u>
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**KEPAK GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**17. ACCRUALS AND DEFERRED INCOME (CONTINUED)**

At 1 January	<u><u>1,066,040.0</u></u>	<u><u>764,688.0</u></u>
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**18. SHARE CAPITAL**

	2022 £	2021 £
<b>AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID</b>		
1 (2021 - 1) Ordinary share of £1.00	<u><u>1</u></u>	<u><u>1</u></u>

**19. RESERVES**

**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.

**20. 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 £1,067,510 (2021 - £977,890). Contributions totalling £164,915 (2021 - £194,474) were payable to the fund at the balance sheet date and are included in creditors

**21. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	576,968.0	152,732.0
Later than 1 year and not later than 5 years	1,247,252.0	462,717.0
	<u><u>1,824,220.0</u></u>	<u><u>615,449.0</u></u>

**22. OTHER FINANCIAL COMMITMENTS**

The Company's bankers have given guarantees to the UK and Dutch Revenue authorities on behalf of the Company amounting to £538k (2021 - £538k).



**KEPAK GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**23. RELATED PARTY TRANSACTIONS**

The Company has availed of the exemption under Section 33 of FRS 102 not to disclose transactions between wholly-owned 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.

**24. 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.