# Vestey Holdings Limited

Report and Financial Statements

Year Ended

31 December 2021

Company Number 00066076

# Vestey Holdings Limited

**Annual report and financial statements**
**for the year ended 31 December 2021**

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| **Country of incorporation of parent company:** | United Kingdom |
| **Directors:** | G M W Vestey<br>R J H Vestey<br>C G Copland<br>J K Barnes<br>A J Clifford-King |
| **Secretary and registered office:** | N Thornton,<br>29 Ullswater Crescent,<br>Coulsdon,<br>CR5 2HR |
| **Company number:** | 00066076 |
| **Bankers:** | Barclays Bank plc<br>HSBC UK Bank plc |
| **Auditors:** | Nexia Smith & Williamson Audit Limited,<br>25 Moorgate, London,<br>EC2R 6AY |

## Business review

### *Results for 2021*

*Covid-19*

There was again a considerable impact from Covid-19 in 2021 with the markets that the group operates and sells into continuing to face significant lock down restrictions. Throughout the year our major concern has continued to be to safeguard the health and wellbeing of our staff and as a result business travel was again restricted and video conferencing used as an alternative. During the various lock down periods office staff, who could, worked from home. Where staff couldn't work from home staff rotation and appropriate social distancing measures were put in place to protect their wellbeing. In some businesses in the Group where business levels remained low the Group took advantage of Government support to furlough staff.

In addition to issues caused by the pandemic the Group also encountered significant supply issues during the year due to the lack of available shipping and increased freight costs. Despite these issues the Group has reported very strong results for 2021. Turnover was £495.8m in 2021 compared with £460.5m in 2020, and earnings before interest, tax, depreciation and amortisation ("EBITDA") was £13.0m compared with £7.6m in 2020. The profit before tax was £6.3m compared with £1.7m in 2020.

The Vestey Foods Group of companies reported a profit before tax of £11.3m which compared with a profit in 2020 of £6.3m. The increased profitability compared with 2020 is mainly down to exceptional performances from Vestey Foods UK Ltd, Vestey Foods International and Vestey Foods France. This reflects expansion in new areas of the market as well as the reduced impact of Covid-19 in the year.

Donald Russell Limited reported a loss before tax of £0.7m compared with a profit before tax of £1.3m in 2020. This result was due to the disappointing performance of its direct-to-consumer division following an exceptional year in 2020 and the continued Covid-19 impact to its trade and export divisions.

The Fine Foods Division, which includes the WISK division of companies had a much-improved year reporting a loss before tax of £1.8m compared to a loss of £5.7m reported in 2020. The division's UK companies had a good year with profits before tax of £0.9m, compared with losses of £2.4m in 2020 as the hospitality sector in the UK started to reopen. The WISK division, which has companies in the Philippines, Dubai, Spain and Oman accounted for a loss of £2.8m compared with losses of £3.4m in 2020 as the hospitality sector in those markets were still heavily impacted by Covid restrictions.

The Group finished the year with net borrowings (excluding lease liabilities) of £6.4m compared with £12.6m in 2020. Cash generation in the year had been strong with the cash inflow from trading partly offset by the £1.5m increase in capital employed across the WISK division.

### *Outlook*

There is evidence to suggest that the worst of Covid-19 is behind us. A lot of the markets that the Group operate in are now almost fully open with local restrictions significantly eased and volumes back to pre-Covid-19 levels.

Management are confident that this will continue with results in January and February well ahead of budget.

There are a number of challenges ahead as the impact of the crisis in Ukraine develops, however management are confident that Group companies will continue be able to source products and maintain their profit margins.

***Section 172 statement***

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between shareholders, the Directors consider what is most likely to promote the success of the Company for its shareholders in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail how the Board engages with our stakeholders thus seeking to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

- The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. Detailed below we set out our principal stakeholders, how and why we engage with them and how stakeholders have influenced some of the key decisions made in the year. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

- The Board continues to enhance its methods of engagement with the workforce. The Group CEO continued his regular business update to all employees, and another staff survey was carried out in the first quarter of 2021. There is also an in-house magazine, the Vestey Voice, which is sent to all employees quarterly and provides them with details on Group developments, this has not been produced as frequently in 2021 due to Covid-19.

- We aim to work responsibly with our suppliers. We work closely with suppliers and customers to develop new products appropriate for our markets. During the year, the Board reviewed and approved the Group's Modern Slavery and Human Trafficking Statement which sets out the steps taken to prevent modern slavery in our business and supply chains.

- During the year the board approved a continuation of the Group's new Corporate Social Responsibility program (CSR), to enhance its responsibility to communities not just local to our subsidiary and branch offices but also to UK nationwide charities and initiatives. In 2021 despite Covid-19 our employees took part in a number of events to raise funds for the Princes Trust, Chance to Shine and The Vestey Project, a prisoner mentoring project linked with HMP Warren Hill. Our employees also volunteer and fund raise with local charities, with the Group matching their local fund-raising efforts.

- For a number of years, the Board has sought to diversify the Group to promote the best long terms interest of the shareholders. During the year the decision was made to expand its new WISK international Fine Foods division. The division sells high quality food and ingredients to top hotels and restaurants. Along with its subsidiary companies in the Philippines, Dubai and Spain, a company was set up in Oman and started operating in October 2021.

**How we create value for our stakeholders**

The Vestey Holdings Board develops the broad strategies needed for the Group to create value for stakeholders. The executive Vestey Holdings directors work with the management teams in each of the operating subsidiaries to agree the strategies for their businesses and the implementation of these strategies are planned and monitored through the Group's reporting process.

The table on page 3 and 4 sets out our focus on the key relationships and shows how the relevant stakeholder engagement is reported up to the Board to help inform our strategy delivery. Not all information is reported directly to the Board. However, the information will inform business-level decisions, with an overview of developments being reported on a regular basis to the Board. In some cases, one or more members of the Board may be involved directly in the engagement (such as shareholder meetings). In each case, it is important for all members of the Board to gain sufficient understanding of the issues relating to every stakeholder, so their views are taken into account in Board discussions.

***Section 172 statement*** *(continued)*

| Stakeholder group | Form of engagement | How this stakeholder group influenced the Board agenda and decision-making |
|---|---|---|
| **Communities**<br><br>We help national charities in the UK and charities local to our subsidiary and branch offices. | Engagement with local and national charities focused on the development of the disadvantaged. The Group also prepares the ground for prisoner rehabilitation through a new mentoring project and the recruitment of prisoners released on temporary licence (ROTL) from prison. During 2021 we continued to work with the same national charities, although as a result of Covid-19 fund raising events were supported remotely. | The Board agenda has been strongly focused on corporate social responsibility issues this year.<br><br>Several initiatives have been set up in the UK, the key areas being to help the disadvantaged and help with prisoner rehabilitation. |
| **Our customers**<br><br>Our customers in the UK and around the world range from the UK Government, the United Nations, NATO members, manufacturers, food service (restaurants, pubs, other eating out establishments), wholesalers, retailers (supermarkets, garden centres, farm shops) and individual consumers through our direct to consumer business.<br><br>By delivering the quality products that they need in a timely and reliable manner needed and dealing with them in a transparent and responsive manner, our customers trust us to deliver services of value to them. | The Group is constantly working with customers on product development to ensure that we continue to meet their requirements, with regards quality and service.<br><br>During the Covid-19 outbreak the Group have worked closely with customers where they had to temporarily close as a result of government restrictions or where we had credit insurance removed, We did this by setting up repayment plans for debt outstanding and putting in place alternative security. | We work closely with customers to develop new products appropriate for their markets. |
| **Shareholders**<br><br>The Group is ultimately owned by the Joint Vestey Settlement dated 25th March 1942, an Alderney based trust, benefiting the future generations of the Vestey family.<br><br>The Group strongly believes in sharing in the growth of our businesses with our managers. This can be through shareholdings in our subsidiaries, profit shares and bonuses. | Regular meeting between Vestey Holdings Board Directors and the wider Vestey family members. The Vestey Family Council met to consider ownership issues and received business updates from senior managers in the Group.<br><br>The Vestey Holdings Executive Directors meet regularly with the subsidiary management teams to review progress against agreed strategy. | The Group continued with its diversification into its new Fine Foods division, WISK, in the year to promote the best long terms interest of the shareholders.<br><br>Subsidiary management teams put forward proposals to the Board meetings for the development of their businesses. |

***Section 172 statement*** *(continued)*

| Stakeholder group | Form of engagement | How this stakeholder group influenced the Board agenda and decision-making |
|---|---|---|
| **Our people**<br>We create an environment in which our people can make a positive contribution, develop their careers and reach their potential.<br>At 31 December 2021, we had over 1,000 employees in the Group.<br>Due to the Covid-19 lockdown restrictions in the UK a number of Group undertakings took advantage of the government furlough scheme where sales channels were severely restricted. In some areas where it was envisaged that these channels would not reopen to the same level after the end of restrictions a number of employees were unfortunately made redundant.<br>In the initial lockdown period in the UK, the salary of furloughed employees was not topped up by Group companies, however later in the year some employees had their salaries topped up to their full levels. | Engagement with our people takes many forms, including staff surveys and regular updates from Group and subsidiary senior managers.<br>A staff survey is undertaken every 18 months and is reported to the individual subsidiary company boards as well as the main Vestey Group Board and affects decision-making. A survey was carried out in the first quarter of 2020, another is planned for May 2022.<br>Where staff were unable to work from home during Covid-19 suitable PPE was made available and suitable social distancing measure were put in place in the various work places.<br>Regular updates were given to all staff through the lock down and various restriction periods by Group board and subsidiary senior managers. | Issues raised in the staff surveys are actioned by management in order to improve the environment for our staff.<br>Where Group undertakings made use of the government Furlough scheme or where Redundancies were made as a result of Covid-19, these decisions were made by the boards of the individual Group undertakings. |
| **Our suppliers**<br>Our worldwide suppliers provide us with the goods and services we rely on to deliver for our customers. They range from substantial multinational companies to small-scale local businesses providing bespoke services when they are needed.<br>During Covid-19 the Group undertakings were still able to operate all sales channels at varying levels, so throughout 2021 the Group continued to buy from most suppliers and continued to pay all suppliers in line with their credit terms. | Strategic relationship meetings are conducted regularly between suppliers and procurement. Tendering and sourcing events are undertaken to select new suppliers.<br>On anti-corruption and anti-bribery matters, we expect all our suppliers to be compliant with the Modern Slavery Act and we work closely with our suppliers and peers to build on our knowledge and promote best practice. We are constantly engaging with suppliers that we identify as being within potentially high-risk categories. | The Board annually approves the Modern Slavery statement.<br>We work closely with suppliers to develop new products suitable for the markets in which we operate. |

### *Brexit*

Following the UK's decision to leave the European Union (EU) in 2016 a free trade deal was finally agreed and signed on 30 December 2020 a day before the end of the transition period.

In preparation for a potential no deal Brexit Vestey Foods (UK) increased its stockholding of EU products to alleviate short term disruption, this stock was sold in early 2021.

Following the signing of the trade deal, other than a small amount of trade that the Group does with Northern Ireland, goods have moved freely between the EU and the UK. The level and complexity of the documentation required did increase however, the largest Group UK business Vestey Foods (UK) which is a significant importer of food not only from the EU but many other regions in the world was already set up deal with this.

### *Principal risks and uncertainties*

With the exception of the Covid-19 and Brexit risk detailed earlier in this report and the principal financial risks which are discussed in note 27, the principal operating risks and uncertainties facing the Group are categorised as reputation damage, people and animal disease.

*Reputational damage risk*

The reputation of the Group and that of its key brands is integral to its success and therefore any major incident which is not effectively managed whether it relates to service, product, external or internal matters could have an impact on trading and profitability.

The Group closely monitors any incidents that arise to ensure they are appropriately managed.

The Board considers that the likelihood of an incident resulting in significant reputational damage is low.

*People risk*

The Group relies on being able to recruit, develop and retain staff.

The Group operates a management development program for its managers from across the Group. In addition, each operating company has its own budget for the training of its staff. The Group carries out staff surveys on a regular basis and operating companies carry out interim surveys to monitor improvements that have been made

The Board considers that the likelihood of being unable to recruit and retain staff to be low.

*Animal disease risk*

The Group sources meat products from many countries around the world. It is probable that from time to time an animal disease will restrict the ability of a country to export.

The Group mitigates this risk by sourcing from many different countries.

The Board considers that the risk to the Group from an animal disease is low.

*Poultry supply risk*

The group sources a significant amount of poultry from East Europe and in particular Poland. The current crisis in Ukraine has led to a shortage of feed, a slowdown in production and an increase in prices.

The Group has a number of fixed price customer contracts, and the price risk is mitigated by have fixed price supplier contracts. The Group also mitigates a shortage of supply by sourcing from many different countries.

The Board considers that the risk to the Group from not being able to pass on price increases or source sufficient product as being low.

### *Key Performance Indicators*

The Group uses a range of financial performance measures to monitor the management of the business effectively; the most significant of these are the key performance indicators (KPI's).

***Key Performance Indicators** (continued)*

The main KPI's are turnover, gross margin, EBITDA, profit before taxation, average working capital as a percentage of turnover, net funds, return on average capital employed, stock days, debtor days and creditor days.

The KPI's on operations for the year ended 31 December 2021, with comparatives for the year ended 31 December 2020, are set out below:

| | **2021** | **2020** |
|---|---|---|
| Turnover (£'000) | **495,780** | 460,507 |
| Gross margin | **14.2%** | 13.3% |
| EBITDA (£'000) (note 4) | **13,041** | 7,564 |
| Profit before taxation (£'000) | **6,280** | 1,719 |
| Average working capital as a percentage of turnover | **11.8** | 14.1% |
| Net debt (excluding lease liabilities) (£'000) | **6,406** | 12,587 |
| Average return on capital employed | **9.3** | 4.5% |
| Average Stock days | **47** | 57 |
| Average Debtor days | **35** | 38 |
| Average Creditor days | **21** | 22 |

Where there are material changes from last year the KPI's have been discussed in the results for 2021 above. However, where not discussed, we have the following comment:

- The Gross margin improvement is due to a higher percentage of the overall turnover coming from higher margin direct to consumer or Fine Foods Group companies.

- The average stock days were on average 10 days shorter than in 2020 mainly as a result of stock being held at the start of the Covid-19 restrictions in March 2020 taking longer to be sold. The average stock days in 2019 were 46 days.

**On behalf of the Board**

J K Barnes

**Chairman**

31 March 2022

### Branches outside the UK

The Group did not operate through any overseas branches in the year.

### Future developments

Details on future development are presented within the strategic reports on page 4.

### Results and dividends

The profit and loss account is set out on page 15 and shows the profit for the year.

The directors approved and paid a dividend during the year of £0.5m (2020 - £0.3m) to the immediate parent undertaking and £0.8m (2020 - £0.7m) to non-controlling interests.

There has been no change in the dividend policy as a result of Covid-19, dividends are expected to be paid in 2022 as a result of profits made in 2021 in line with prior years with regards dividends to the immediate parent undertaking.

### Principal activities

The principal activities of Vestey Holdings Limited and its subsidiaries ("the Group") during the year were those of food distribution. The Group operates in eleven countries in four main geographical regions: UK, Mainland Europe, South East Asia and the Middle East.

### Principal risks and uncertainties

The Group operates in an environment that has a number of operational and financial risks, details of these risks and how they are managed are detailed in note 27 and the strategic report.

### Going Concern

The reduced impact of COVID-19 has been reflected in the Directors' assessment of the going concern basis of preparation for the Group and Company financial statements. This has been considered by modelling the impact on the group's cashflow including various sensitivity scenarios for the 12 months to April 2023.

In March 2022 a substantial part of the Group's banking facilities were refinanced with a mixture of 12 month and long terms agreements.

The Group have also considered the impact of the current crisis in Ukraine which has led to a shortage of feed, a slowdown in production and an increase in prices. The Group has a number of fixed price customer contracts, and the price risk is mitigated by have fixed price supplier contracts. The Group also mitigates a shortage of supply by sourcing from many different countries.

In light of the analysis and additional sensitivity, and on the basis of the continued availability of the Groups' banking facilities, the Directors concluded that the Group and the Company had adequate resources to continue in operational existence for at least the 12 months following the signing of the financial statements, that it is appropriate to continue to adopt the going concern basis of preparation in the financial statements and that there is not a material uncertainty in relation to going concern.

**Greenhouse gas (GHG) emissions, energy consumption and energy efficiency actions**

The Groups GHG emissions and energy consumption is as follows:

| | 2021 | 2020 |
|---|---|---|
| Emissions resulting from activities for which the Group is responsible involving the combustion of gas or consumption of fuel for the purpose of transport (tonnes of CO2 equivalent). | **2,364** | 1,305 |
| Emissions resulting from the purchase of electricity by the Group for its own use, including for the purposes of transport (tonnes of CO2 equivalent). | **1,562** | 1,944 |
| Energy consumed from activities for which the Group is responsible involving the combustion of gas, or the consumption of fuel for the purposes of transport, and the annual quantity of energy consumed resulting from the purchase of electricity by the Group for its own use, including for the purposes of transport, in kWh | **17,910,575** | 15,075,076 |
| Intensity Metric, based on gross emissions per £ of Group turnover, in kWh | **0.0361** | N/A |
| Intensity Metric, based on gross emissions per £ of Group turnover, in Kg/CO2 | **0.008** | N/A |

The energy usage information was measured by an independent third party using the latest DEFRA (Department for Environment, Food and Rural Affairs) / BEIS (Department for Business, Energy & Industrial Strategy) emissions factors.

2020 was far from a normal trading year globally due to the Covid-19 pandemic and very few organisations were unaffected by falling trade levels, employees on furlough and in many cases total closure of businesses. This situation, coupled with the extremely diverse nature of Vestey's businesses creates difficulty in assigning meaningful intensity metrics and for this first GHG emissions statement therefore there has been no attempt to generate such an indicator.

Throughout the Vestey organisation improvements continue to be made in terms of reducing energy consumption and associated carbon emissions.

Major changes include:

- Vestey Foods UK have introduced targeted delivery processes to remove unnecessary road miles and all vehicles are now equipped with tracking software providing detailed analytics to reduce fuel consumption;
- LED lighting has been installed in the depot and offices of Vestey Foods UK;
- Rainwater harvesting has been incorporated for vehicle washing at Vestey Foods UK;
- Storage of frozen products at Petersfield has been consolidated to one freezer with the second unit converted to ambient storage to reduce refrigeration demand;
- Air compressors have been replaced at Cottage Delight with a VSD controlled unit increasing capacity but reducing electricity consumption on site;
- Donald Russell at Kintore are gearing up for ESOS Phase 3 (Dec. 22 – Dec-23) evaluating mechanisms to isolate and analyse the performance of individual process systems and operatives in order to identify anomalies and set internal benchmarks;
- With ESOS Phase 3 approaching the whole organisation has engaged successfully with detailed energy data collection required for accurate reporting and this is to be commended across the whole of Vestey Holdings.

### Directors

The directors of the company during the year were:

G M W Vestey
R J H Vestey
C G Copland
J K Barnes
A J Clifford-King    Appointed 1 June 2021

### Employees

The Group continues to provide information to employees through the intermediary of senior managers and by means of management briefings and training. Employees are made aware of significant matters affecting the Groups trading position and any significant organisational Changes. Managers are expected to be in touch with the views of the employees and to consider such views seriously. The Group does not operate any employee share schemes. It continues to be the policy of the Group to encourage employee efforts and to reward employees accordingly. The Group treats each application for employment, training and promotion on merit. Please see the Section 172(1) statement included in the Strategic report.

### Suppliers and Customers

Refer to Section 172(1) statement included in the strategic report on page 4.

### Employees

Refer to Section 172(1) statement included in the strategic report on page 4.

### Qualifying third party indemnity provisions

The company has arranged qualifying third-party indemnity for all of its directors.

### Disabled persons

The company is committed to providing equal opportunities in employment. The employment of disabled persons is included in this commitment and the recruitment, training, career development and promotion of disabled persons are based on the aptitudes and abilities of the individual and the working conditions which apply. Should employees become disabled during employment, every effort would be made to continue their employment and, if necessary, appropriate training would be provided.

### Policy and practice on the payment of creditors

The company will follow its internal policies on best payment practice which is to ensure that all creditor payments are made when they fall due.

### Directors' responsibilities

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 group financial statements in accordance with UK adopted International Accounting Standards and the company financial statements in line with United Kingdom Generally Accepted Accounting Practice. 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 group and company and of the profit or loss of the group for that period.

**Directors' responsibilities** *(continued)*

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

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

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

**Auditor**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Nexia Smith & Williamson Audit Limited, who were newly appointed in 2021, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**On behalf of the Board**

J K Barnes
**Chairman**

31 March 2022

## INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF VESTEY HOLDINGS LIMITED

### Opinion

We have audited the financial statements of Vestey Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated statement of financial position, the Consolidated statement of cash flows, the Consolidated statement of changes in equity, the Company Balance Sheet, the Company statement of changes in equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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 group and parent 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.

### Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Report and 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.

**Other information** *(continued)*

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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 group and the parent company and their 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 set out on pages 9 and 10, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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:

We obtained a general understanding of the group's legal and regulatory framework through enquiry of Group and significant component's management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation. We also discussed relevant matters with component auditors.

We understand that the group complies with the framework through:

- Subscribing to relevant updates from external experts and making changes to internal procedures and controls as necessary.
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- Employing third parties to assist with compliance and filing related duties in overseas jurisdictions.
- Employing legal advisers to assist with specific claims.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company/group:

- The Companies Act 2006, UK-adopted international accounting standards and United Kingdom Generally Accepted Accounting Practice in respect of the preparation and presentation of the financial statements.
- UK taxation law.
- Health and safety regulations.
- Food hygiene regulations, due to the nature of the group's operations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Obtained an understanding of the procedures management has implemented over compliance with the rules above;
- Reviewed evidence of compliance with health and safety regulations, as well as with food hygiene regulations;
- Obtained written confirmations from the Group's principal external legal counsels regarding existing and potential litigation;
- Obtained written management representations regarding the adequacy of procedures in place.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

**Auditor's responsibilities for the audit of the financial statements** *(continued)*

The key areas identified as part of the discussion were:

- The risk of manipulation of the financial statements through manual journal entries;
- Incorrect recognition of revenue;
- Valuation and existence of stock;
- Valuation of group goodwill, as well as of the parent's loans to and investments in subsidiaries.

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of a sample of revenue transactions to underlying documentation;
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the group's processes and controls surrounding manual journal entries;
- Attending the year end stock take for a sample of locations and reviewing third party confirmations for stock held in third party managed warehouses;
- Performing testing over a sample of stock items for gaining comfort over the net realisable value of stock, as well as performing stock cut off testing over a sample of items;
- Challenging management regarding the assumptions used in estimating future cash flows expected to arise within the group, as well as the inputs used in assessing the corresponding expected credit losses.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Andrew Bond
Senior Statutory Auditor, for and on behalf of

**Nexia Smith & Williamson,**
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

31 March 2022

## Vestey Holdings Limited

### Consolidated income statement
### for the year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **495,780** | 460,507 |
| Cost of sales | | **(425,425)** | (399,111) |
| **Gross profit** | | **70,355** | 61,396 |
| Administrative expenses before exceptional items | | **(32,434)** | (30,055) |
| Exceptional income | 6 | **-** | 2,500 |
| Administrative expenses | | **(32,434)** | (27,555) |
| Distribution expenses | | **(31,443)** | (32,732) |
| Other operating income | 5 | **1,153** | 1,859 |
| **Profit from operations** | 4 | **7,631** | 2,968 |
| Finance expense | 8 | **(1,366)** | (1,511) |
| Finance income | 8 | **15** | 262 |
| **Profit before tax** | | **6,280** | 1,719 |
| Taxation expense | 9 | **(2,196)** | (565) |
| **Profit for the year** | | **4,084** | 1,154 |
| **Profit for the year attributable to:** | | | |
| Owners of the parent | | **2,163** | 510 |
| Non-controlling interest | 14 | **1,921** | 644 |
| | | **4,084** | 1,154 |

All amounts relate to continuing operations.

The notes on pages 23 to 68 form part of these financial statements.

# Vestey Holdings Limited

## Consolidated statement of other comprehensive income
for the year ended 31 December 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Profit for the year** | | **4,084** | 1,154 |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of unfunded defined benefit pension liability | 22 | **94** | (139) |
| | | **94** | (139) |
| **Items that will or may be reclassified to profit or loss:** | | | |
| Cash flow hedges | | **824** | (233) |
| Exchange gains arising on translation of foreign operations | | **(920)** | 702 |
| | | **(96)** | 469 |
| **Other comprehensive income for the year, net of tax** | | **(2)** | 330 |
| Total comprehensive income | | **4,082** | 1,484 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | **2,309** | 864 |
| Non-controlling interest | 14 | **1,773** | 620 |
| | | **4,082** | 1,484 |

The notes on pages 23 to 68 form part of these financial statements.

# Vestey Holdings Limited

**Consolidated statement of financial position**
**at 31 December 2021**
**Company Number: 00066076**

| | Note | 31 Dec 2021 £'000 | 31 Dec 2020 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Inventories | 15 | **54,024** | 56,043 |
| Trade and other receivables | 16 | **67,621** | 57,783 |
| Cash and cash equivalents | 27 | **16,343** | 19,223 |
| | | **137,988** | 133,049 |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **12,395** | 12,353 |
| Right-of-use assets | 11 | **6,785** | 6,408 |
| Intangible assets | 12 | **8,915** | 8,609 |
| Deferred tax asset | 19 | **76** | 113 |
| | | **28,171** | 27,483 |
| Total assets | | **166,159** | 160,532 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **66,197** | 55,723 |
| Loan and borrowings | 18 | **13,909** | 24,380 |
| Lease liabilities | 11 | **1,804** | 1,291 |
| Corporation tax payable | | **1,573** | 250 |
| | | **83,483** | 81,644 |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | **1,087** | 1,211 |
| Loan and borrowings | 18 | **8,840** | 7,430 |
| Lease liabilities | 11 | **4,824** | 5,077 |
| | | **14,751** | 13,718 |
| Total liabilities | | **98,234** | 95,362 |
| **NET ASSETS** | | **67,925** | 65,170 |

The notes on pages 23 to 68 form part of these financial statements.

# Vestey Holdings Limited

**Consolidated statement of financial position**
**at 31 December 2021 *(continued)***
**Company Number: 00066076**

| | Note | 31 Dec 2021 £'000 | 31 Dec 2020 £'000 |
|---|---|---|---|
| **Issued capital and reserves attributable to owners of the parent** | | | |
| Share capital | 20 | **5,000** | 5,000 |
| Share premium reserve | 21 | **9,765** | 9,765 |
| Cash flow hedge reserve | 21 | **222** | (460) |
| Foreign exchange reserve | 21 | **377** | 1,224 |
| Retained earnings | 21 | **49,935** | 47,961 |
| **Shareholder's funds** | | **65,299** | 63,490 |
| Non-controlling interest | 14 | **2,626** | 1,680 |
| | | **67,925** | 65,170 |

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2022 and were signed on its behalf by:

J K Barnes

**Chairman**

The notes on pages 23 to 68 form part of these financial statements.

# Vestey Holdings Limited

## Consolidated statement of cash flows
## for the year ended 31 December 2021

| | Note | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|---|
| **Cash Flows from operating activities** | | | |
| Profit for the year | | **4,084** | 1,154 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 10 | **2,462** | 2,147 |
| Amortisation of right-of-use assets | 11 | **2,910** | 2,431 |
| Amortisation of intangible fixed assets | 12 | **38** | 18 |
| Impairment losses on intangible fixed assets | | **-** | - |
| Finance income | 8 | **(15)** | (262) |
| Finance expense | 8 | **1,366** | 1,511 |
| Loss on sale of property, plant and equipment | | **4** | (35) |
| Corporation tax charge | 9 | **2,196** | 565 |
| | | **13,045** | 7,529 |
| (Increase)/decrease in trade and other receivables | | **(8,741)** | 11,585 |
| Decrease/(increase) in inventories | | **1,177** | (789) |
| Increase/(decrease) in trade and other payables | | **9,827** | (12,708) |
| **Cash (used in)/generated from operations** | | **15,308** | 5,617 |
| Corporation tax paid | | **(811)** | (574) |
| **Net cash flows from operating activities** | | **14,496** | 5,043 |

The notes on pages 23 to 68 form part of these financial statements.

# Vestey Holdings Limited

## Consolidated statement of cash flows
## for the year ended 31 December 2021 *(Continued)*

| | Note | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|---|
| **Net cash flows from operating activities brought forward** | | **14,496** | 5,043 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(2,694)** | (4,749) |
| Sale of property, plant and equipment | | **167** | 55 |
| Purchase of subsidiary undertaking | | **(246)** | - |
| Interest received | | **7** | 260 |
| **Net cash flows from investing activities** | | **(2,766)** | (4,434) |
| **Financing activities** | | | |
| Proceeds from bank borrowing | | **876** | 17,498 |
| Repayment of bank borrowing | | **(9,667)** | (18,447) |
| Principal paid on lease liabilities | | **(3,021)** | (2,227) |
| Interest paid on lease liabilities | | **(205)** | (175) |
| Interest paid on bank borrowing | | **(808)** | (773) |
| Dividends paid to non-controlling minority shareholders | | **(827)** | (723) |
| Dividends paid to parent undertaking | | **(500)** | (300) |
| **Net cash flows from financing activities** | | **(14,152)** | (5,147) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,422)** | (4,538) |
| **Cash and cash equivalents at beginning of year** | | **19,223** | 23,606 |
| Exchange (losses)/gains on cash and cash equivalents | | **(458)** | 155 |
| **Cash and cash equivalents at the year end** | | **16,343** | 19,223 |

The notes on pages 23 to 68 form part of these financial statements.

# Vestey Holdings Limited

## Consolidated statement of changes in equity
## for the year ended 31 December 2021

| | Share capital £'000 | Share premium £'000 | Cash flow hedging reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Total attributed to equity holders of parent £'000 | Non-controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2020** | **5,000** | **9,765** | **(460)** | **1,224** | **47,961** | **63,490** | **1,680** | **65,170** |
| **Comprehensive income for the year** | | | | | | | | |
| Profit | - | - | - | - | 2,163 | 2,163 | 1,921 | 4,084 |
| Other comprehensive income | - | - | 682 | (847) | 311 | 146 | (148) | (2) |
| **Total comprehensive income for the year** | **-** | **-** | **682** | **(847)** | **2,474** | **2,309** | **1,773** | **4,082** |
| **Contributions by and distributions to owners** | | | | | | | | |
| Dividends to parent | - | - | - | - | (500) | (500) | - | (500) |
| Dividends to non-controlling interests | - | - | - | - | - | - | (827) | (827) |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **-** | **(500)** | **(500)** | **(827)** | **(1,327)** |
| **31 December 2021** | **5,000** | **9,765** | **222** | **377** | **49,935** | **65,299** | **2,626** | **67,925** |

# Vestey Holdings Limited

## Consolidated statement of changes in equity
for the year ended 31 December 2021 *(continued)*

| | Share capital £'000 | Share premium £'000 | Cash flow hedging reserve £'000 | Foreign exchange reserve £'000 | Retained earnings £'000 | Total attributed to equity holders of parent £'000 | Non-controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | **5,000** | **9,765** | **(280)** | **551** | **47,890** | **62,926** | **1,783** | **64,709** |
| **Comprehensive income for the year** | | | | | | | | |
| Profit | - | - | - | - | 510 | 510 | 644 | 1,154 |
| Other comprehensive income | - | - | (180) | 673 | (139) | 354 | (24) | 330 |
| **Total comprehensive income for the year** | **-** | **-** | **(180)** | **673** | **371** | **864** | **620** | **1,484** |
| **Contributions by and distributions to owners** | | | | | | | | |
| Dividends to parent | - | - | - | - | (300) | (300) | - | (300) |
| Dividends to non-controlling interests | - | - | - | - | - | - | (723) | (723) |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **-** | **(300)** | **(300)** | **(723)** | **(1,023)** |
| **31 December 2020** | **5,000** | **9,765** | **(460)** | **1,224** | **47,961** | **63,490** | **1,680** | **65,170** |

## General information

The company is a private limited company, limited by share capital, incorporated in England and Wales. The address of its registered office can be found on the contents page.

## 1 Accounting policies

### *Basis of preparation*

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

Items in the consolidated financial statements of each of the Group entities are measured using the currency of the country that the entity is incorporated. The Company's functional currency is Pound Sterling. The consolidated financial statements are presented in Pound Sterling, which is the Group's presentation currency. See note 30 for details of the location of Group entities.

Amounts are rounded to the nearest £'000, unless otherwise stated.

The consolidated and parent company accounts are prepared in accordance with UK adopted International Accounting Standards.

The preparation of financial statements in compliance with UK adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

### *Basis of measurement*

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss
- Contingent consideration -fair value through the profit and loss

### Going Concern

The reduced impact of COVID-19 has been reflected in the Directors' assessment of the going concern basis of preparation for the Group and Company financial statements. This has been considered by modelling the impact on the group's cashflow including various sensitivity scenarios for the 12 months to April 2023.

In March 2022 a substantial part of the Group's banking facilities were refinanced with a mixture of 12 month and long terms agreements.

The Group have also considered the impact of the current crisis in Ukraine which has led to a shortage of feed, a slowdown in production and an increase in prices. The Group has a number of fixed price customer contracts, and the price risk is mitigated by have fixed price supplier contracts. The Group also mitigates a shortage of supply by sourcing from many different countries.

In light of the analysis and additional sensitivity, and on the basis of the continued availability of the Groups' banking facilities, the Directors concluded that the Group and the Company had adequate resources to continue in operational existence for at least the 12 months following the signing of the financial statements, that it is appropriate to continue to adopt the going concern basis of preparation in the financial statements and that there is not a material uncertainty in relation to going concern.

## 1 Accounting policies *(continued)*

### *Changes in accounting policies*

*New standards, interpretations and amendments effective from 1 January 2021*

New standards that have been adopted in the annual financial statements for the year ended 31 December 2021, but have not had a significant effect on the Group are:

- Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement;
- Interest rate benchmark reform – phase 2 – amendments provided a practical expedient when accounting for a modification of a financial instrument when an old interest rate benchmark is replaced with an alternative as a result of the reform;
- IFRS 7: Financial Instruments Disclosures;
- IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9

*New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 16 – Property, plant and equipment – Proceeds before intended use;
- Annual improvements to IFRS 2018 – 2020 cycle; and
- Amendments to the conceptual framework – amendments to IFRS 3.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Vestey Holdings Limited is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The principal accounting policies are:

### *Revenue*

*Performance obligations and timing of revenue recognition*

The Group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The Group has a small division providing pension advisory services for clients, with revenue recognised typically on completion of a piece of contracted for advice or on a monthly retainer basis.

## 1 Accounting policies *(continued)*

***Revenue** (continued)*

*Determining the transaction value*

The Group's revenue either comes from individual customer orders or from fixed price contracts and therefore the amount of revenue to be earned is determined from each order or by reference to those fixed prices. Exceptions are as follows:

- Value variations can occur if the quantity of an item in terms of unit or weight received by the customer differs from the order, in that instance a credit note is raised to reduce the invoiced amount not delivered

- Where customer rebates are offered for volumes ordered in a particular period. If those volumes are likely to be achieved, then they are deducted for against every invoice raised to that customer as a percentage reduction to turnover. These provisions are then reversed at the end of the period with a formal rebate if the volumes have been achieved.

*Allocating amounts to performance obligations*

For most orders and contracts, there is a fixed price for each unit or weight of product sold. Therefore, there is no judgement involved in allocating the contract price to each unit ordered, other than weight variations or where customer volume rebates are offered.

Where the Group makes sales acting as an agent, where the counterparty risk remains with the supplier, only the margin on the sale is recognised as revenue rather than showing the gross revenue and associated costs.

***Basis of consolidation***

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Where the sale of an operation is completed in the year and the disposal has a material effect on the nature and focus of the operations, then the sale is defined as a discontinued operation. Results up to the date of sale are disclosed as part of the profit and loss account under the heading discontinued operations. Where the operation is sold after the financial year end, only the results up to the year-end are included in the profit and loss account for that year as discontinued operations. In the subsequent year when the operation is sold, the results up to the date of sale along with the resulting profit or loss on disposal will be shown as discontinued operations in that year.

A subsidiary undertaking is excluded from the consolidation where there are severe long-term restrictions which substantially hinder the exercise of the rights of the Group over the assets or the management of that business.

**1 Accounting policies** *(continued)*

***Non-controlling interests***

For business combinations, the Group initially recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The Group has not elected to take the option to use fair value in acquisitions completed to date.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

No non-controlling interest is accounted for on non-wholly owned subsidiaries where there are restricted rights attached to the minority interest ownership of these subsidiaries, where there is an earn out and where there are put and call options for the minority shareholders to sell and the Group to buy the remaining shares. The deferred consideration for the remaining shares are based on the value of the earn out discounted over the earn out period.

***Externally acquired intangible assets***

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The only intangible recognised by the Group is brands. Brands that are acquired outside of a business combination are included at cost and not amortised because they are assumed to have an indefinite useful economic life. An impairment review is conducted on an annual basis with a provision made for any impairment.

***Goodwill***

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

For business combinations cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, re-measured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

***Impairment of non-financial assets (excluding inventories and deferred tax assets)***

Impairment tests on goodwill and brands with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

## 1 Accounting policies *(continued)*

### *Foreign currency*

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at the average rates for the year are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in the profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

### *Financial assets*

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category relates to only in-the-money forward currency hedging contracts (see "Financial liabilities" section for out-of-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than forward currency contracts which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

*Amortised cost*

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## 1 Accounting policies *(continued)*

***Financial assets** (continued)*

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables in the consolidated statement of financial position.

***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

***Financial liabilities***

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category relates to only out-of-the-money forward currency hedging contracts (see "Financial assets" for in the money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than forward currency contracts which are not designated as hedging instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

*Other financial liabilities*

Other financial liabilities include the following items:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

## 1 Accounting policies *(continued)*

***Financial liabilities*** *(continued)*

*Invoice discounting*

Where funds have been received against the discount of sales invoices a separate presentation is adopted whereby the gross amount of the sales invoices discounted is shown on the balance sheet within trade debtors, until the funds are received from the customer, and a corresponding liability in respect of the proceeds advanced shown within bank loans. The amounts are shown gross because the Group retains the credit risk over the debtors.

*Interest rate risk*

Progress on interest rate benchmark reform. All financial instruments have been modified in accordance with interest rate benchmark reform and therefore there are no remaining risks relating to the reforms.

*Interest rate benchmark reform*

Modifications to financial instruments which meet both of the following conditions are not considered a normal modification rather the effective interest rate is amended with no gain or loss on modification:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

***Hedge accounting***

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;

- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

*Cash flow hedges*

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The Group uses such contracts to fix the cost of inventories and the income from foreign currency sales, in the functional currency of the Group entity concerned.

The cumulative gain or loss recognised in other comprehensive income is reclassified from the cash flow hedge reserve to profit or loss at the same time as the hedged transaction affects profit or loss. The two transactions are recognised in the same line item.

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income is frozen and recognised in profit or loss in accordance with the policy set out in the paragraph above. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If the Group closes out its position before the transaction takes place (even though it is still expected to take place) the cumulative gain or loss on changes in fair value of the derivative is similarly recognised in accordance with the policy set out in the paragraph above. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

## 1 Accounting policies *(continued)*

***Hedge accounting*** *(continued)*

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income.

***Share capital***

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

***Defined contribution schemes***

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

***Defined benefit schemes***

Defined benefit scheme liabilities are measured at:

- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- Unrecognised past service costs; less

*Remeasurements* of the net defined obligation are recognised directly within equity. The re-measurements include:
- Actuarial gains and losses

*Service costs* are recognised in profit or loss and include current and past service costs as well as gains and losses on curtailments.

*Net interest expense (income)* is recognised in profit or loss and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

***Other long-term service benefits***

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities.

## 1 Accounting policies *(continued)*

***Deferred consideration on acquisition***

Where acquisitions incorporate deferred consideration to employees, a best estimate of this is provided unless in the opinion of the directors it cannot be measured with sufficient reliability. Provisions for deferred consideration are discounted using the appropriate borrowing rate available to the Group. Provisions for deferred consideration are reviewed annually and any adjustments taken to the consolidated income statement.

***Leases***

The majority of the Group's accounting policies for leases are set out in note 11.

*Identifying Leases*

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

***Dividends***

Dividends are recognised when they become legally payable.

***Taxation***

The charge for taxation is based on the results for the year. The tax charge differs from the expected statutory rate due to deferred tax on timing differences because of differences between the treatment of certain items for taxation and accounting purposes, profits and losses in some overseas jurisdictions that cannot be offset against UK profits and losses and the fact that some UK subsidiary companies utilise brought forward tax losses.

## 1 Accounting policies *(continued)*

### *Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).
Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### *Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land and buildings are fair valued when they come into the Group and are subsequently carried at that value, valuations are made by a professionally qualified valuer when it is recognised that the fair value has materially changed. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

| | | |
|---|---|---|
| Freehold buildings | - | 2% per annum straight line |
| Plant and machinery | - | 20% per annum straight line |
| Fixtures and fittings | - | 10% to 33% per annum straight line |
| Computer equipment | - | 33% per annum straight line |
| Motor vehicles | - | 25% per annum straight line |

Fixtures and fittings, computer equipment and motor vehicles are included as Plant, machinery and equipment in the property, plant and equipment, note 10.

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

## 1 Accounting policies *(continued)*

***Inventories***

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated on an average material cost basis along with an estimation of the associated labour and overhead costs. Net realisable value is based on estimated selling price less additional costs to completion.

***Government grants***

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased. Where grants have been received for the furloughing of staff, the grant received has been shown as other operating income in the consolidated income statement.

***Provisions***

The group has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability if material. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

## 2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Judgements*

Non-consolidation of Venezuelan entities - Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations. These entities have therefore not been consolidated.

Break point of lease obligations – The obligations on the Group's building leases have been measured to a point when the Group is able to break the leases rather than the end of the lease. This is because it was considered reasonably likely that the group would exercise its right to exercise any right to break the lease. See note 11.

*Estimates and assumptions*

- *Fair value measurement*

  A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

  The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

## 2 Critical accounting estimates and judgements *(continued)*

*Estimates and assumptions (continued)*

- *Level 1*: Quoted prices in active markets for identical items (unadjusted)
- *Level 2*: Observable direct or indirect inputs other than Level 1 inputs
- *Level 3*: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

The Group measures a number of items at fair value.

- Financial instruments (note 28)
- Defined benefit schemes (note 22)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

- *Impairment of goodwill*

  The Group is required to test, on an annual basis, whether goodwill and indefinite life intangible assets have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 13.

- *Unfunded defined benefit obligation*

  The costs and liabilities of the defined unfunded benefit schemes operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 22. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

- *Income taxes*

  The Group is subject to income tax in several jurisdictions. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

- *Deferred tax asset*

  A deferred tax asset arising on unrelieved losses has been recognised under IAS 12 where there is a reasonable expectation that suitable taxable profits will be available in the short term against which the deferred tax asset can reverse. Where there is uncertainty as to whether suitable taxable profits will be available in the short term against which the deferred tax asset can reverse the deferred tax asset is not recognised.

- *Lease Liabilities*

  The determination of lease term for some lease contracts in which the Group is a lessee, including whether the Company is reasonably certain to exercise lessee options (note 11), and the determination of the incremental borrowing rate used to measure lease liabilities (note 11).

## 3 Revenue

| Revenue arises in the following geographical locations: | 2021 £'000 | 2020 £'000 |
|---|---|---|
| United Kingdom | **203,084** | 188,973 |
| Europe | **172,031** | 156,504 |
| Asia | **42,936** | 49,155 |
| Africa | **40,720** | 38,127 |
| North America | **14,261** | 14,891 |
| Middle East | **15,897** | 9,434 |
| Other | **6,851** | 3,423 |
| | **495,780** | 460,507 |

| Revenue arises in the following customer types: | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Wholesale | **260,703** | 265,046 |
| Foodservice | **66,448** | 65,755 |
| Retail | **52,263** | 56,369 |
| Hotels and restaurants | **73,910** | 28,656 |
| Direct to consumer | **34,388** | 39,856 |
| Other | **8,068** | 4,825 |
| | **495,780** | 460,507 |

## 4 Expenses by nature

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Raw materials and consumables used | **414,326** | 386,389 |
| Employee benefit expenses (see note 7) | **41,387** | 39,775 |
| Depreciation of tangible fixed assets | **2,462** | 2,147 |
| Amortisation of right-of-use assets | **2,910** | 2,431 |
| Amortisation of intangible fixed assets | **38** | 18 |
| Impairment losses on intangible fixed assets | **-** | - |
| Realised exchange gains | **325** | 114 |
| Government Grant furlough income | **(824)** | (1,765) |
| Loss/(profit) on disposal of property, plant and equipment | **4** | (35) |
| Fees payable to the company auditors and its associates for other services: | | |
| - Audit of the parent company and the consolidation | **63** | 73 |
| - Audit of UK subsidiary undertakings | **82** | 100 |
| - Audit of overseas subsidiary undertakings | **53** | 74 |
| - Taxation services | **-** | 39 |

## 4 Expenses by nature *(continued)*

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Group EBITDA as defined in the Strategic report on page 6 | | |
| Profit from operations | **7,631** | 2,968 |
| Add | | |
| Depreciation of tangible fixed assets: | **2,462** | 2,147 |
| Amortisation of right-of-use assets | **2,910** | 2,431 |
| Amortisation of intangible fixed assets | **38** | 18 |
| Impairment losses on intangible fixed assets | **-** | - |
| | **13,041** | 7,564 |

## 5 Other operating income

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Other operating income comprise: | | |
| Furlough scheme income | **824** | 1,765 |
| Realised exchange | **329** | 94 |
| | **1,153** | 1,859 |

## 6 Exceptional items

The exceptional income/(charges) that are one off in nature, included in operating profit relate to the following items:

In 2020 the Group received £2,500,000 for a contract settlement relating to a prior year.

## 7 Employee benefit expenses

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Employee benefit expenses (including directors) comprise: | | |
| Wages and salaries | **36,288** | 34,969 |
| Defined contribution pension cost | **1,158** | 1,264 |
| Other-long term employee benefits | **32** | 50 |
| Social security contributions and similar taxes | **3,909** | 3,492 |
| | **41,387** | 39,775 |

| The average number of employees, including directors, during the year was: | 2021 Number | 2020 Number |
|---|---|---|
| Management and administration | **332** | 309 |
| Selling and distribution | **298** | 306 |
| Production and storage | **417** | 423 |
| | **1,047** | 1,038 |

## 7 Employee benefit expenses *(continued)*

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed on page 9.

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Salary | **3,212** | 2,708 |
| Employee benefits | **155** | 147 |
| | **3,367** | 2,855 |

*Remuneration of the highest paid director*

The highest paid director's remuneration was £954,487 (2020 - £697,163).

## 8 Finance income and expense

### Recognised in the profit and loss

| **Finance Income** | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest received on bank deposits | **15** | 18 |
| Ineffective portion of changes in fair value of cash flow hedges | **-** | 244 |
| **Total finance income** | **15** | 262 |

| **Finance expense** | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Interest expense on lease liabilities | **205** | 175 |
| Interest paid on bank borrowing | **655** | 846 |
| Ineffective portion of changes in fair value of cash flow hedges | **131** | - |
| Net foreign exchange loss | **375** | 490 |
| **Total finance expense** | **1,366** | 1,511 |
| Net finance expense recognised in profit and loss | **1,351** | 1,249 |

## 9 Tax expense

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| *Corporation tax* | | |
| Current tax | **2,307** | 737 |
| Adjustment to prior years' provisions | **(160)** | (56) |
| Current tax | **2,147** | 681 |
| Deferred tax (Note 19) | **49** | (116) |
| Taxation on profit on ordinary activities | **2,196** | 565 |

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **6,280** | 1,719 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.0% (2020 – 19.0%) | **1,229** | 327 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **100** | 110 |
| Income not included for tax purposes | **-** | (57) |
| Utilisation of brought forward tax losses | **(139)** | (358) |
| Tax losses arising in the year and not utilised | **295** | 167 |
| Group tax relief not paid for | **(119)** | (144) |
| Recognition of deferred tax assets where taxable profits will be available for future utilisation | **49** | (116) |
| Difference between overseas tax rate and UK tax rate | **1,016** | 612 |
| Prior year tax adjustments | **(160)** | - |
| Other timing differences | **(75)** | 24 |
| Total tax charge for year | **2,196** | 565 |

## 10 Property, plant and equipment

| | Freehold property Admin-istration £'000 | Freehold property Other £'000 | Leasehold property £'000 | Plant, machinery and equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 January 2020 | 1,283 | 5,968 | 1,215 | 14,093 | 22,559 |
| Additions | - | 120 | 2,131 | 2,499 | 4,750 |
| Disposals | - | - | - | (261) | (261) |
| Foreign exchange movements | - | - | (113) | 83 | (30) |
| At 31 December 2020 | **1,283** | **6,088** | **3,233** | **16,414** | **27,018** |
| At 1 January 2021 | 1,283 | 6,088 | 3,233 | 16,414 | 27,018 |
| Additions | - | 27 | 100 | 2,566 | 2,693 |
| Disposals | - | (12) | (9) | (1,638) | (1,659) |
| Acquisition of subsidiary undertaking | - | - | - | 38 | 38 |
| Foreign exchange movements | - | - | 7 | (179) | (172) |
| At 31 December 2021 | **1,283** | **6,103** | **3,331** | **17,201** | **27,918** |
| *Depreciation* | | | | | |
| At 1 January 2020 | 357 | 1,536 | 976 | 9,806 | 12,675 |
| Charge for the year | 61 | 222 | 135 | 1,729 | 2,147 |
| Disposals | - | - | - | (229) | (229) |
| Foreign exchange movements | - | - | (3) | 75 | 72 |
| At 31 December 2020 | **418** | **1,758** | **1,108** | **11,381** | **14,665** |
| At 1 January 2021 | 418 | 1,758 | 1,108 | 11,381 | 14,665 |
| Charge for the year | 61 | 244 | 373 | 1,784 | 2,462 |
| Disposals | - | (4) | (4) | (1,488) | (1,496) |
| Foreign exchange movements | - | - | 5 | (113) | (108) |
| At 31 December 2021 | **479** | **1,998** | **1,482** | **11,564** | **15,523** |
| *Net book value* | | | | | |
| At 1 January 2020 | 926 | 4,432 | 239 | 4,287 | 9,884 |
| At 31 December 2020 | 865 | 4,330 | 2,125 | 5,033 | 12,353 |
| At 31 December 2021 | **804** | **4,105** | **1,849** | **5,637** | **12,395** |

None of the freehold land and buildings held by the Group have been fair valued since the date of acquisition. Revaluations will be carried out if management believe that the fair value has changed materially.

## 11 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets (less than £10,000); and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied across the Group is 3.0%, or 8% for lease liabilities in the Philippines.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 3.0%, other than in the Philippines where the rate applied was 8.0%.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

## 11 Leases *(continued)*

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use assets obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount;

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure it's carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that convey both a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has taken out the service element when calculating the right of use asset and related liability. The service element has been expensed in the income statement.

The group always negotiates break clauses in its property leases. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

At 31 December 2021 the carrying amounts of lease liabilities have been reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably likely that the group would any right to break the lease. As a result of the assumption that the group will exercise the break clauses total lease payments of £2,911,642 (2020 – £3,165,848) will be avoided.

### Right-of-use assets

| | Land and buildings £'000 | Plant, machinery and motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2020 | 2,978 | 3,409 | **6,387** |
| Addition | 1,159 | 1,616 | **2,775** |
| Amortisation | (922) | (1,509) | **(2,431)** |
| Effect of modification to lease terms | (202) | (98) | **(300)** |
| Foreign Exchange movements | (28) | 5 | **(23)** |
| **At 31 December 2020** | **2,985** | **3,423** | **6,408** |

## 11 Leases *(continued)*

### Right-of-use assets *(continued)*

| | Land and buildings £'000 | Plant, machinery and motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2021 | 2,985 | 3,423 | 6,408 |
| Addition | 3,263 | 379 | **3,642** |
| Amortisation | (1,503) | (1,407) | **(2,910)** |
| Effect of modification to lease terms | - | (267) | **(267)** |
| Foreign Exchange movements | (82) | (6) | **(88)** |
| **At 31 December 2021** | **4,663** | **2,122** | **6,785** |

### Lease Liabilities

| | Land and buildings £'000 | Plant, machinery and motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2020 | 2,950 | 3,199 | 6,149 |
| Addition | 1,159 | 1,616 | **2,775** |
| Interest expense | 175 | - | **175** |
| Effect of modification to lease terms | (202) | (98) | **(300)** |
| Lease payments | (999) | (1,402) | **(2,401)** |
| Foreign Exchange movements | (36) | 6 | **(30)** |
| **At 31 December 2020** | **3,047** | **3,321** | **6,368** |

| | Land and buildings £'000 | Plant, machinery and motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2021 | 3,047 | 3,321 | 6,368 |
| Addition | 3,263 | 379 | **3,642** |
| Interest expense | 186 | 19 | **205** |
| Effect of modification to lease terms | - | (267) | **(267)** |
| Lease payments | (1,410) | (1,816) | **(3,226)** |
| Foreign Exchange movements | (93) | (1) | **(94)** |
| **At 31 December 2021** | **4,993** | **1,635** | **6,628** |

The Group did not receive any rent concessions during 2021.

## 11 Leases *(continued)*

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Short-term lease expense | **918** | 1,203 |
| Low value lease expense | **105** | 191 |
| Aggregate undiscounted commitments for short-term leases | **46** | 38 |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Leases liabilities payable: | | |
| Up to 3 months | **451** | 323 |
| 3 months to 12 months | **1,353** | 968 |
| In one to two years | **2,053** | 1,552 |
| In two to five years | **2,727** | 3,525 |
| After five years | **44** | - |
| | **6,628** | 6,368 |

## 12 Intangible assets

| | Goodwill | Brands | Customer relationships | Total |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| *Cost* | | | | |
| At 1 January 2020 | 33,389 | 1,345 | 150 | 34,884 |
| Foreign exchange movements | 31 | (19) | - | 12 |
| At 31 December 2020 | **33,420** | **1,326** | **150** | **34,896** |
| At 1 January 2021 | 33,420 | 1,326 | 150 | 34,896 |
| Acquisition of subsidiary undertaking | - | - | 398 | 398 |
| Foreign exchange movements | (57) | 3 | - | (54) |
| At 31 December 2021 | **33,363** | **1,329** | **548** | **35,240** |
| *Amortisation and impairment* | | | | |
| At 1 January 2020 | 26,215 | - | 54 | 26,269 |
| Amortisation | - | - | 18 | 18 |
| Impairments | - | - | - | - |
| At 31 December 2020 | **26,215** | **-** | **72** | **26,287** |
| At 1 January 2021 | 26,215 | - | 72 | 26,287 |
| Amortisation | - | - | 38 | 38 |
| Impairments | - | - | - | - |
| At 31 December 2021 | **26,215** | **-** | **110** | **26,325** |
| *Net book value* | | | | |
| At 1 January 2020 | 7,174 | 1,345 | 96 | 8,615 |
| At 31 December 2020 | 7,205 | 1,326 | 78 | 8,609 |
| At 31 December 2021 | **7,148** | **1,329** | **438** | **8,915** |

## 13 Goodwill and impairment

The carrying amount of goodwill is allocated to the subsidiary operating companies as follows:

| **Goodwill carrying amount** | **2021 £'000** | **2020 £'000** |
|---|---|---|
| UAB Vestey Foods Baltics | **794** | 794 |
| Vestey Foods France SAS | **329** | 350 |
| Vestey Foods Benelux NV | **225** | 225 |
| FineFrance UK Limited | **5,467** | 5,467 |
| Other | **333** | 369 |
| | **7,148** | 7,205 |

## 13 Goodwill and impairment *(continued)*

The recoverable amounts of all the above subsidiary operating companies have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period to 31 December 2025.

For Fine France UK Limited, the major assumptions used are as follows:

| | 2021<br>% | 2020<br>% |
|---|---|---|
| Discount rate | **8.9** | 8.9 |
| Operating margin | **8.3** | 4.4 |
| Growth rate | **85.0** | 24.7 |

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates relate to the expected increase in turnover over the next 5 years. Beyond 2026 growth rates of 2% have been used which are based on growth rate limitations on the operations warehouses.

If any one of the following changes were made to the above key assumptions, the revised carrying amount and recoverable amount for Fine France UK Limited would be equal.

| | %<br>Change from | %<br>To |
|---|---|---|
| Discount rate | **8.9** | 24.5 |
| Operating margin | **8.3** | 4.4 |
| Growth rate | **85.0** | 0.0 |

An additional sensitivity was carried out on the basis that a post year end lock down appeared likely as a result of Covid-19 and the turnover growth rate would have to remain above 2.8% to support the goodwill level.

For UAB Vestey Foods Baltics Limited, the major assumptions used are as follows:

| | 2021<br>% | 2020<br>% |
|---|---|---|
| Discount rate | **8.9** | 8.8 |
| Operating margin | **1.7** | 1.6 |
| Growth rate | **5.0** | 6.8 |

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates relate to the expected increase in turnover over the next 5 years. Beyond 2026 growth rates of 2% have been used which are based on economic data pertaining to the sector concerned.

Based on these assumptions which are seen to be very cautious and build in a level of sensitivity no impairment of the goodwill carrying value has been made.

## 14 Non-Controlling interests

Vestey Foods France SAS is a subsidiary of Vestey Foods Group that has a 16% (2020: 16%) non-controlling interest.

Vestey Foods UK Limited is a 100% subsidiary of Vestey Foods UK Holdings Limited a company that has a 19% (2020: 23.5%) non-controlling interest.

Vestey Foods International Limited is a 100% subsidiary of Vestey Foods International Holdings Limited a company that has a 24% non-controlling interest.

Albion Fine Foods Limited is a subsidiary of Fine Foods Group Limited a company that has a 24.9% non-controlling interest.

The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

## 15 Inventories

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Finished goods and goods held for resale | **45,322** | 47,525 |
| Raw materials and consumables | **8,702** | 8,518 |
| | **54,024** | 56,043 |

In 2021 £414,326,000 of inventory was charged to the cost of goods sold in the year (2020: £386,389,000).

## 16 Trade and other receivables

| Amounts falling due within one year: | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Trade receivables | **54,077** | 49,904 |
| Less: provision for impairment of trade receivables | **(1,161)** | (1,210) |
| Trade receivables net | **52,916** | 48,694 |
| Receivables from related parties (note 23) | **1,500** | 1,500 |
| Receivable from parent undertaking | **183** | 203 |
| Other debtors | **3,298** | 3,219 |
| Prepayments | **8,740** | 3,832 |
| Derivative financial assets | **984** | 335 |
| Total trade and other receivables | **67,621** | 57,783 |

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

At 31 December 2021, £8,533,000 (2020: £16,126,000) of trade receivables had been sold to a provider of invoice discounting and debt factoring services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. The proceeds from transferring the debts of £7,680,000 (2020: £14,513,000) are included in loan and borrowings until the debts are collected or the Group makes good any losses incurred by the service provider.

## 16 Trade and other receivables *(continued)*

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the five-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers, in 2021 the loss rates increased as a result of Covid-19. The Group has identified the credit and fiscal environments as well as the markets that subsidiary undertaking are selling to as key macroeconomic factors in the countries where the Group operates.

At 31 December 2021 the lifetime expected loss provision for trade receivables is as follows:

| | Expected loss rate % | Gross carrying amount £'000 | Loss Provision £'000 |
|---|---|---|---|
| Current | 0.12 - 0.13 | **39,084** | 49 |
| 1 to 30 days past due | 0.60 – 0.61 | **10,654** | 65 |
| 31 to 60 days past due | 0.93 – 0.94 | **1,874** | 18 |
| 61 to 90 days past due | 1.1 – 1.2 | **1,333** | 15 |
| 91 to 120 days past due | 1.2 – 1.3 | **956** | 12 |
| 121 to 150 days past due | 8.0 - 9.0 | **78** | 7 |
| More than 151 days past due | 100 | **98** | 98 |
| Total | | **54,077** | 265 |

At 31 December 2020 the lifetime expected loss provision for trade receivables is as follows:

| | Expected loss rate % | Gross carrying amount £'000 | Loss Provision £'000 |
|---|---|---|---|
| Current | 0.02 - 0.03 | **35,788** | 10 |
| 1 to 30 days past due | 0.09 – 0.10 | **7,906** | 8 |
| 31 to 60 days past due | 0.22 – 0.23 | **2,215** | 5 |
| 61 to 90 days past due | 1.9 - 2.0 | **620** | 12 |
| 91 to 120 days past due | 3.0 – 4.0 | **3,144** | 3 |
| 121 to 150 days past due | 23.0 - 24.0 | **4** | 1 |
| More than 151 days past due | 100 | **227** | 227 |
| Total | | **49,904** | 266 |

The Group's policy is to deem a debt owed as defaulted the earlier of the customer going into liquidation, ceasing trading or becoming more than 151 days past due.

## 16 Trade and other receivables *(continued)*

Movements in the impairment allowance for trade receivables are as follows:

| Amounts falling due within one year: | 2021 £'000 | 2020 £'000 |
|---|---|---|
| At 1 January | **1,210** | 1,175 |
| Increase during the year | **642** | 786 |
| Previously provided for debt collected | **(78)** | (183) |
| Unused amounts reversed | **(590)** | (581) |
| Foreign exchange movements | **(23)** | 13 |
| Impairment (gain)/loss during the year | **(49)** | 35 |
| At 31 December | **1,161** | 1,210 |

In addition to the general loss provision, as at 31 December 2021 specific trade receivables of £896,000 (2020: £944,000) had lifetime expected credit losses of the full value of the receivables. These receivables will be fully written off when there is no chance of receiving these funds.

All receivables from related parties at 31 December 2021 are due on demand. The related parties have sufficient resources to be able to repay the receivable if demanded, consequently, 12 month expected credit losses have been assessed, and there are no expected credit losses.

## 17 Trade and other payables

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Current** | | |
| Trade payables | **33,125** | 27,220 |
| Other payables | **10,339** | 8,727 |
| Accruals | **21,422** | 17,932 |
| **Total financial liabilities, excluding loans and borrowings, classified as financial liabilities at amortised cost** | **64,886** | 53,879 |
| Derivative financial liabilities | **438** | 980 |
| Other payables - taxation and social security | **873** | 864 |
| | **66,197** | 55,723 |
| **Non-Current** | | |
| Deferred Income | - | 46 |
| Unfunded defined benefit scheme (Note 22) | **1,087** | 1,165 |
| | **1,087** | 1,211 |
| **Total Trade and other payables** | **67,284** | 56,934 |

## 18 Loans and borrowings

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Current** | | |
| Bank Overdrafts - unsecured | **4,534** | 4,802 |
| Trade Finance - secured | **7,680** | 13,578 |
| Bank Loans - unsecured | **1,695** | 6,000 |
| | **13,909** | 24,380 |

| | £'000 | £'000 |
|---|---|---|
| **Non-Current** | | |
| Bank Loans | | |
| - Unsecured | **8,840** | 7,430 |
| | **8,840** | 7,430 |
| **Total loans and borrowings** | **22,749** | 31,810 |

The cash flow and non-cash flow movement in the year on the borrowings are:

| | Non-current loans and borrowings £'000 | Current loans and borrowings £'000 | Total £'000 |
|---|---|---|---|
| **At 1 January 2020** | 150 | 32,525 | 32,675 |
| *Cash Flows:* | | | |
| Lease / loan repayments | (1,928) | (14,132) | (16,060) |
| Lease / loan drawdowns | 9,111 | 6,000 | 15,111 |
| *Non-cash flows:* | | | |
| Foreign exchange movements | 97 | (13) | 84 |
| **At 31 December 2020** | **7,430** | **24,380** | **31,810** |

## 18 Loans and borrowings *(continued)*

| | Non-current loans and borrowings £'000 | Current loans and borrowings £'000 | Total £'000 |
|---|---|---|---|
| **At 1 January 2021** | 7,430 | 24,380 | 31,810 |
| *Cash Flows:* | | | |
| Loan repayments | (2,562) | (7,105) | (9,667) |
| Reclassification | 4,082 | (4,082) | - |
| Loan drawdowns | - | 876 | 876 |
| *Non-cash flows:* | | | |
| Foreign exchange movements | (110) | (160) | (270) |
| **At 31 December 2021** | **8,840** | **13,909** | **22,749** |

The currency profile of the Group's loans and borrowings is as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| GBP | **17,314** | 23,958 |
| EUR | **4,232** | 6,391 |
| USD | **1,018** | 1,356 |
| Other | **185** | 105 |
| | **22,749** | 31,810 |

The rate at which GBP denominated liabilities are payable is 1.75-2.0% (2020: 1.75-2.0%) above UK base rates. The rate at which Euro denominated liabilities are payable is 0.35–0.7% (2020: 0.35-0.7%) above Euribor rates.

***Bank Borrowings***

The secured bank loans are secured by corporate guarantees or against the individual subsidiary company assets that they are financing.

The Group has £49,600,000 (2020: £42,900,000) of undrawn committed borrowing facilities available at 31 December 2021, for which all conditions have been met. Other than £1,696,000 of the French Covid-19 government backed loan which is due in 2022, the balance of French and all the UK Covid-19 government backed loans are repayable in 2023. The other facilities which all expire within 1 year are annual facilities subject to renewal at various dates during 2022.

## 19 Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 17%).

The movement on the deferred tax account is as shown below:

| Group | £'000 |
|---|---|
| Balance at 1 January 2021 | 113 |
| Acquisition of subsidiary undertaking | 19 |
| Recognition of unrelieved tax losses | (49) |
| Foreign Exchange movements | (7) |
| Balance at 31 December 2021 | **76** |

Deferred taxation provided in the financial statements and the potential un-provided deferred tax asset amounting to £2,504,000 (2020 - £2,381,000) is made up as follows:

| | Not Provided 2021 £'000 | Provided 2021 £'000 | Not Provided 2020 £'000 | Provided 2020 £'000 |
|---|---|---|---|---|
| Unrelieved losses | **1,970** | **76** | 1,805 | 113 |
| Capital allowances in advance of depreciation | **79** | **-** | 121 | - |
| | **2,029** | **76** | 1,926 | 113 |
| Advance corporation tax recoverable | **455** | **-** | 455 | - |
| | **2,504** | **76** | 2,381 | 113 |

The deferred tax asset has been recognised under IAS 12 as there is certainty that suitable taxable profits will be available in the short term against which the deferred tax asset can reverse. When there is uncertainty as to whether suitable taxable profits will be available in the short term against which the deferred tax asset can reverse the deferred tax asset has not been recognised.

The material tax losses carried forward are approximately £9,126,000 (2020 - £9,373,000) in the UK. In addition, there are capital losses carried forward of approximately £1,301,000 (2020 - £1,301,000) in the UK. These have not been recognised as deferred tax assets.

## 20 Share capital

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| *Authorised* | | |
| 1,000,000 Ordinary shares of £10 each | **10,000** | 10,000 |
| *Allotted, called up and fully paid* | | |
| 500,000 Ordinary shares of £10 each | **5,000** | 5,000 |

## 21 Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|---|---|
| *Share premium* | Amount subscribed for share capital in excess of nominal value. |
| *Cash flow hedging reserve* | Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge. |
| *Foreign exchange reserve* | Gains/losses arising on retranslating the net assets of overseas operations into GBP. |
| *Retained earnings* | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

## 22 Pension schemes

The Group operates a number of pension schemes, with assets held in separate trustee-administered funds.

The pension schemes are as follows:

- Unfunded Defined Benefit Scheme, which is a United Kingdom unfunded defined benefit scheme for certain past and current directors. The pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary; and
- Western Pension Trust, which is a multi-employer money purchase scheme.

Expected contributions for the next accounting period are £1,057,000 (2020 - £921,000) in respect of the Western Pension Trust multi-employer money purchase scheme.

The total pension costs for the Group charged in the 2021 profit and loss account amounted to £957,000 (2020 - £894,000), in respect of the Western Pension Trust multi-employer money purchase scheme.

The total actuarial gain for the Group charged to other comprehensive income in 2021 amounted to £94,000 (2020 – loss of £139,000), all of which related to the unfunded defined benefit scheme.

### Unfunded defined benefit scheme

The Group operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, three of whom have left service. No company contributions are presently being paid in respect of these promises.

At 31 December 2021, a provision of £1,087,000 was included within pension liabilities (2020 - £1,165,000) in respect of this scheme. The charge to the profit and loss in 2021 in relation to this scheme was £16,000 (2020 – £20,000).

## 22 Pension schemes *(continued)*

The scheme is exposed to a number of risks, including:

- *Changes in bond yields*: a decrease in bond yields will increase the value placed on the Scheme's liabilities for accounting purposes.

- *Inflation risk*: A significant portion of the Plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on levels of inflationary increases are in place to protect against extreme inflation).

- *Life expectancy*: The majority of the Plan's obligations are to provide for the life of the member, so increase in life expectancy will result in an increase in the liabilities.

In accordance with the requirements of IAS 19 the main financial assumptions are as follows:

| | **2021** | **2020** |
|---|---|---|
| Rate of inflation (%) | **3.5** | 3.2 |
| Rate of increase in pensions in payment (%) | **3.1** | 3.1 |
| Liquidity discount rate (%) | **2.0** | 1.4 |
| Mortality assumption - male (years) | **88.9** | 88.9 |

The plan is an unfunded pension arrangement and thus does not hold any assets in respect of the liabilities.

***Reconciliation of the present value of the scheme liabilities***

| | **2021 £'000** | **2020 £'000** |
|---|---|---|
| **Balance at 1 January** | **(1,165)** | (1,006) |
| Current service cost | | |
| Interest cost | **(16)** | (20) |
| **Included in profit or loss** | **(16)** | (20) |
| Actuarial gain/(loss) due to change in financial assumptions | **84** | (117) |
| Actuarial gain due to demographic assumptions | **-** | (4) |
| Actuarial loss due to liability experience | **10** | (18) |
| **Included in other comprehensive income** | **94** | (139) |
| Benefits paid | **-** | - |
| **Balance at 31 December** | **(1,087)** | (1,165) |

## 22 Pension schemes *(continued)*

### *Sensitivity analysis*

The key assumptions used are: discount rate, inflation and mortality. If different assumptions are used, this could have a significant effect on the results disclosed. The sensitivity of the results to these assumptions are as follows:

| Actuarial assumption | Reasonably possible change | Increase in liability £'000 | Revised liability £'000 |
|---|---|---|---|
| Discount rate | **Decrease of 0.5%** | 80 | (1,167) |
| Inflation rate assumption | **Increase of 0.5%** | 20 | (1,107) |
| Life expectancy | **Increase by 1 year** | 40 | (1,127) |

## 23 Related party transactions

At the end of the year deferred consideration has been provided for future earn-outs to the following minority shareholders, who are also directors or senior managers of those companies:

- £120,000 (2020 - £120,000) payable to Michel Recart, the president and holder of 5.25% of the shares in Vestey Foods France SAS; and
- £120,000 (2020 - £120,000) payable to Gilles Bensimon, the managing director and holder of 5.25% of the shares in Vestey Foods France SAS; and
- £1,500,000 (2020 - £1,500,000) repayable by George Vestey, the chief executive officer and a director of Vestey Holdings Limited. This is an interest free loan repayable on demand.

During the year £827,000 (2020 - £723,000) were paid to minority shareholders of subsidiary undertakings.

Vestey Holdings Limited has entered into an agreement with the MoD which guarantees that Purple FoodService Solutions Limited will be provided with the resources necessary to fulfil its obligations under its contract with the MoD.

## 24 Business combinations during the period

*Coolcare Logistics Limited*

During 2021, a subsidiary undertaking, Vestey Foods UK Limited acquired all of the share capital of Coolcare Logistics Limited; a company that distributes a range of products to Ikea in the UK.

The total consideration for the acquisition of £793,000 comprises £493,000, which was financed in cash and deferred consideration of £300,000. The acquisition, which was accounted for under the acquisition method, has been consolidated as an 81% subsidiary based on the substance of the Group's interest in this entity. An intangible asset related to the customer relationship with Ikea of £398,000 was generated on the acquisition. The directors believe that the book value of the assets and liabilities at acquisition are equal to the fair value.

The effective date of the acquisition was 2 September 2021, which was the date from which control of the company passed to the Group.

## 24 Business combinations during the period *(continued)*

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

| | Book value and fair value to the Group £'000 |
|---|---|
| Property, plant and equipment | 38 |
| Current assets: | |
| Trade and Other receivables | 248 |
| Cash | 251 |
| Total current assets | 499 |
| Current liabilities: | |
| Trade and other payables | (120) |
| Corporation tax payable | (22) |
| Total current liabilities | (142) |
| Net assets | 395 |
| Intangible assets: | |
| Customer relationships | 398 |
| Consideration | 793 |

| | Total £'000 |
|---|---|
| Cash consideration | 493 |
| Deferred consideration | 300 |
| Total Consideration | 793 |

Coolcare Logistics' current financial year started on 1 August 2021 and to the point of acquisition it reported the following:

| | Total £'000 |
|---|---|
| Turnover | 228 |
| Profit before tax | 50 |

## 24 Business combinations during the period *(continued)*

Coolcare Logistics Limited reported a loss before tax for the Group of £0.1m in the four-month period to 31 December 2021. The period from acquisition is included in the 2021 Group profit and loss account.

| Cash flows from purchase of Coolcare Logistics Limited: | **Total £'000** |
|---|---|
| Cash consideration | **(493)** |
| Net cash acquired | **251** |
| | **(242)** |

The Deferred consideration of £0.3m is payable a year after acquisition if the company still holds the Ikea contract. The intangible asset is being amortised over 5 years the deemed life of the Ikea contract.

## 25 Contingent liabilities and guarantees

Apart from the corporate guarantee on the unsecured bank loans, there were no guarantees or contingent liabilities for the Group at 31 December 2021 (2020 - £Nil).

## 26 Immediate and ultimate parent undertaking

The immediate holding company is Vestey Group Limited which is incorporated in Great Britain. The ultimate parent company is Western United Investment Company Limited, which is incorporated in Great Britain and which is head of the largest group of undertakings of which the company is a member for which group financial statements are prepared.

The ultimate control of Western United Investment Company Limited rests with The Lord Vestey, Mr G M W Vestey and Mr R J H Vestey who, between them, have control of all the issued voting shares of the company.

The financial statements of Western United Investment Company Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

## 27 Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk,
- Other operating risks, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

During the year ended 31 December 2021 there have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

## 27 Financial instruments – Risk Management *(continued)*

The impact of Covid-19 on the Group's principal risks and on financial instrument risks is set out in the Strategic Report and Directors Report.

***Principal financial instruments***

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Trade receivables
Trade and other payables
Bank overdrafts
Floating-rate bank loans
Fixed rate bank loans,
Finance Leases, and
Forward currency contracts (derivatives)

*Financial instruments by category*

| | Fair value through profit or loss | | Amortised cost (Loans and receivables) | |
|---|---|---|---|---|
| **Financial assets** | **2021** | **2020** | **2021** | **2020** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Trade and Other receivables | - | - | **57,897** | 53,616 |
| Derivatives | **984** | 335 | - | - |
| **Total financial assets** | **984** | 335 | **57,897** | 53,616 |

| | Fair value through profit or loss | | Amortised costs | |
|---|---|---|---|---|
| **Financial liabilities** | **2021** | **2020** | **2021** | **2020** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Trade and Other payables | - | - | **64,886** | 53,879 |
| Loans and borrowings | - | - | **22,749** | 31,810 |
| Derivatives | **438** | 980 | - | - |
| **Total financial liabilities** | **438** | 980 | **87,635** | 85,689 |

*(a) Financial instruments not measured at fair value*

Financial instruments not measured at fair value include trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of trade and other receivables, trade, other payables and loans and borrowings approximates their fair value.

## 27 Financial instruments – Risk Management *(continued)*

*(b) Financial instruments measured at fair value*

The fair value hierarchy of Derivative financial assets and liabilities measured at fair value is Level 2.

The asset / liability fair value is derived from the value of the forward currency contract converted at the period end exchange rate and adjusted for forward points and an internal bank risk assessment compared to the contract converted currency value.

***General objectives, policies and processes***

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's management team.

In order for Group management to keep these risks under control, subsidiary general and finance managers are subjected to a number of restrictive directors' operating covenants which detail the level of authority they have to operate within without authority from the Group management. These covenants include restrictions on the speculative purchases of stock or currency, the selling of products to uninsured customers, long-term lease commitments, capital expenditure, exceeding local third party borrowing levels and the adherence to Group human resources, ethics and accounting policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

*Credit risk*

The Group's principal credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. To manage this risk in the Trading Division, credit insurance is taken out against customers given credit and their adherence to these limits is closely monitored. In the current economic climate, where credit insurance cover on customers is constantly being reviewed and often reduced, a strong emphasis has been placed by Group management on the subsidiary operating companies to not have outstanding credit from customers which exceeds their insured limits. Where customers wish to receive credit over and above insured limits, they must offer alternative security to cover the Group's exposure or seek permission from Group management. During 2021 a number of credit insurance limits were reduced or removed on customers, sales to these customers were reduced, stopped or alternate security was put in place to allow sales to continue.

Where customers are in politically risky countries and credit insurance is not available, then funds must either be prepaid by the customer before shipment of the goods or before title documents of the goods are transferred or they must offer alternative security to cover the Group's exposure.

Credit limits across all divisions, especially given the current economic climate, are reviewed on a regular basis in conjunction with credit insurance limits, debt ageing and collection history and at the reporting date losses are not expected from non-performance by the counterparties.

All trading subsidiaries prepare monthly debtor reports which are submitted to Group management and are closely monitored, in liaison with local managers, to ensure that internally set customer credit limits and credit insurance limits are adhered to.

Increased checks have also been put in place to counter a noticeable increase in frauds being attempted by individuals and organised groups who are pertaining to be reputable customers. A revised rigorous approval policy is in place to check new customers who receive credit insurance cover. The level of third party confirmation for individual contacts and companies has been increased before customers are approved.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

## 27 Financial instruments – Risk Management *(continued)*

Further disclosures regarding trade and other receivables, including details about provisions made against expected losses under IFRS 9, are provided in note 16.

### Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Cash at bank £'000 | Short term deposits £'000 | Cash at bank £'000 | Short term deposits £'000 |
| Barclays Bank | **6,883** | - | 8,159 | - |
| HSBC | **1,885** | - | 1,757 | - |
| Lloyds Bank | **615** | **65** | 1,915 | 65 |
| BNP Paribas | **2,303** | - | 3,444 | - |
| Credit Agricole | **2,468** | - | 2,660 | - |
| Other | **2,124** | - | 1,223 | - |
| | **16,278** | **65** | 19,158 | 65 |

*Market risk*

Market risk mainly arises from the Group's use of foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changing foreign exchange rates (currency risk) or other market factors (other price risk).

*Foreign exchange risk*

Foreign exchange risk arises in the Trading Division where it generally purchases products in different currencies to the selling and functional local currencies. The Group's policy is to significantly reduce exposure risk by hedging 100% of the actual foreign currency purchases against the appropriate selling currency at the date of order. The non-adherence to these policies and the speculative purchase of currencies are both restricted by the formally agreed directors' operating covenants, unless expressly agreed by Group management.

In order to monitor the continuing effectiveness of this policy, each company produces monthly foreign exchange reconciliations by each non-functional currency that they are exposed to. These reconciliations are reviewed on a regular basis by the Group finance function.

As of 31 December the Group's net exposure to foreign currency exchange risk was as follows:

| | Functional currency of individual entity | | | | | |
|---|---|---|---|---|---|---|
| | GBP | | EUR | | Total | |
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Net foreign currency financial assets / (liabilities) | | | | | | |
| EUR | **361** | (5,836) | - | - | **361** | (5,836) |
| USD | **1,425** | 1,692 | **763** | - | **2,188** | 1,692 |
| YEN | **2,024** | 3,565 | - | - | **2,024** | 3,565 |
| SGD | **264** | 180 | - | - | **264** | 180 |
| DKK | **(239)** | 8 | - | - | **(239)** | 8 |
| Other | **(246)** | 74 | - | - | **(246)** | 74 |
| | **3,589** | (317) | **763** | - | **4,352** | (317) |

## 27 Financial instruments – Risk Management *(continued)*

The effect of a 10% weakening of the USD against GBP at the reporting date on the USD denominated assets and liabilities carried at that date and not covered by a forward currency hedging contract would, all other variables held constant, have resulted in an increase in pre-tax profit for the year and decrease of net liabilities of £199,000 (2020: £154,000). A 10% strengthening in the exchange rate would, on the same basis, have decreased pre-tax profit and decreased net assets by £219,000 (2020: £169,000).

The effect of a 10% weakening of the YEN against GBP at the reporting date on the YEN denominated assets and liabilities carried at that date and not covered by a forward currency hedging contract would, all other variables held constant, have resulted in a decrease in pre-tax profit for the year and decrease of net assets of £184,000 (2020: £324,000). A 10% strengthening in the exchange rate would, on the same basis, have increase post-tax profit and increased in net assets by £202,000 (2020: £356,000).

*Other market price risk*

The Group operates in a large number of very competitive markets, where outbreaks of different animal diseases can have a big impact on both the supply and customer base of each subsidiary, where suppliers who may not adhere to our product specifications can present quality issues and where the market value of what are effectively commodity products can vary widely and quickly. The Group manages these risks by ensuring, where possible, that each subsidiary does not have an over-reliance on sales of one product type or one supplier/supply location, that, where possible, stock is only purchased when an order is received, by employing a significant technical resource to regularly audit suppliers, and by ensuring that stocks of perishable, short shelf life items are kept to a minimum.

The Trading Division also operate a number of fixed price, volume and / or period driven customer contracts, supplying specific, but reasonably generic products. The division manages these supply risks by ensuring that they have at least dual suppliers for such contracts going forward.

*Other operating risks*

There were a number of other operating risks that arose in the year mainly around Covid-19 and Brexit. These are covered in detail in the Strategic report and in individual sections of this note.

*Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, which could result in the banks taking ownership of the assets that the Group's funding is secured against.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim cash flow, borrowing and working capital forecasts are prepared by subsidiaries each month in their monthly management accounts. The current and forecast working capital requirements are reviewed in conjunction with budgeted levels and existing financing facilities to ensure that sufficient headroom is maintained within all available facilities. Group management also receive monthly reports from each subsidiary detailing aged debtors, in particular overdue debtors, and an aged stock report detailing all slow-moving stock.

Individual Group subsidiary companies are financed by asset backed secured financing facilities and local management manage the working capital of their businesses within the constraints provided by the stock and debtors that they are financing against. Local management manage working capital levels carefully. They have regular meetings to ensure that stock levels are managed at an optimum level and that slow-moving stock and stock items close to expiry are closely monitored. Debtors ageing reports are regularly monitored and overdue debtors chased. Increases to the facility limits can only be made if authorised by Group management.

## 27 Financial instruments – Risk Management *(continued)*

Group management formally assess the Group's 12-month cash flow projections on an annual basis as well as informally reviewing the Group management accounts on a monthly basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to utilise any of its Head Office held cash reserves.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

| At 31 December 2021 | Up to 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|
| Trade Creditors and other payables | 64,441 | 249 | - | 196 |
| Loan and borrowings | 13,909 | 8,840 | - | - |
| Derivative financial liabilities | 438 | - | - | - |
| **Total** | **78,788** | **9,089** | - | **196** |

| At 31 December 2020 | Up to 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|
| Trade Creditors and other payables | 53,879 | - | - | - |
| Loan and borrowings | 24,380 | 2,000 | 5,430 | - |
| Derivative financial liabilities | 980 | - | - | - |
| Total | 79,239 | 2,000 | 5,430 | - |

*Capital Disclosures*

The Group monitors its net debt to Capital (Gearing) ratio on an ongoing basis. Capital comprises all components of equity, including non-controlling interests while net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

The Group's main objectives when minimising its Gearing ratio is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and fund its working capital cycle to meet its contractual agreements with suppliers.

The Group sets the maximum level Gearing it will allow in proportion to risk. The Group manages its level of Gearing in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital ratio of less than 25% (2020: 25%). The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. In this calculation net debt excludes Lease liability commitments.

## 27 Financial instruments – Risk Management *(continued)*

The debt-to-capital ratios at 31 December 2021 and at 31 December 2020 were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Loans and borrowings | **22,749** | 31,810 |
| Less: cash and cash equivalents | **(16,343)** | (19,223) |
| Net debt | **6,406** | 12,587 |
| Total equity | **67,925** | 65,170 |
| **Debt to capital ratio (%)** | **9.4%** | 19.3% |

The decrease in the Gearing during 2021 resulted primarily from the decrease in working capital noted in the Vestey Foods division.

## 28 Derivative financial instruments

| | Group 2021 £'000 | Group 2020 £'000 |
|---|---|---|
| **Derivative financial assets** | | |
| Derivatives not designated as hedging instruments | | |
| Forward foreign exchange | **66** | 10 |
| Derivatives designated as hedging instruments | | |
| Forward foreign exchange contracts – cash flow hedges | **918** | 325 |
| Total derivative financial assets | **984** | 335 |

All derivative financial assets are current assets. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

| **Derivative financial liabilities** | Group 2021 £'000 | Group 2020 £'000 |
|---|---|---|
| Derivatives not designated as hedging instruments | | |
| Forward foreign exchange | **-** | 76 |
| Derivatives designated as hedging instruments | | |
| Forward foreign exchange contracts – cash flow hedges | **438** | 904 |
| Total derivative financial liabilities | **438** | 980 |

All derivative financial liabilities are current liabilities.

## 28 Derivative financial instruments *(continued)*

The majority of forward currency contracts that are not designated as hedging instruments relate to currency swaps taken out to manage the short-term timing difference occurring between the inflow / outflow of currency and the maturity of forward contracts taken out to hedge those currency flows.

*Cash flow forward foreign exchange contracts*

Foreign exchange risk arises when individual group undertakings enter into transactions denominated in a currency other than their functional currency. Where this occurs, and a natural hedge is not available each group undertaking will enter into a matching forward foreign exchange contract with a reputable bank.

The amounts of outstanding forward foreign exchange contracts were:

| | Notional principal amounts | | Fair value assets / (liabilities) | |
|---|---|---|---|---|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Foreign currency purchase contracts | | | | |
| Hedging Instrument | **48,512** | 31,382 | **144** | (821) |
| Non-hedging instrument | **15,251** | 9,574 | **66** | (80) |
| Foreign currency sale contracts | | | | |
| Hedging Instrument | **29,998** | 12,310 | **336** | 261 |
| Non-hedging instrument | **-** | 3,150 | **-** | (5) |

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as at 31 December 2021 are recognised in the consolidated statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the consolidated statement of comprehensive income. This is within 12 months from the end of the financial year.

## 29 Post balance sheet events

In March 2022 Vestey Foods International Limited declared a dividend of £960,504 to Vestey Foods International Holdings Limited and Vestey Foods UK Limited declared a dividend of £2,590,400 to Vestey Foods UK (Holdings) Limited.

## 30 Subsidiaries

The principal subsidiaries of Vestey Holdings Limited, all of which have been included in these consolidated financial statements, are as follows:

| **Principal direct subsidiaries** | **Country of incorporation** | **Class of shares** | **Percentage of holding** |
|---|---|---|---|
| The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| Vestey Foods Limited | Great Britain | Ordinary | 100 |
| Vestey Management Limited | Great Britain | Ordinary | 100 |
| Vestey Farms Limited | Great Britain | Ordinary | 100 |
| Donald Russell Holdings Limited | Great Britain | Ordinary | 100 |
| Fine Foods Group Limited | Great Britain | Ordinary | 100 |
| Wisk Holdings Limited | Great Britain | Ordinary | 100 |
| Western Solutions Holdings Limited | Great Britain | Ordinary | 50 |
| **Principal indirect subsidiary undertakings** | | | |
| **Trading Division** | | | |
| The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| Global Group UK Holdings Limited | Great Britain | Ordinary | 100 |
| Vestey Foods UK Limited | Great Britain | Ordinary | 81 |
| Vestey Foods UK Holdings Limited | Great Britain | Ordinary | 81 |
| Vestey Foods International Limited | Great Britain | Ordinary | 76 |
| Vestey Foods International Holdings Limited | Great Britain | Ordinary | 76 |
| VFI Worldwide Limited | Great Britain | Ordinary | 76 |
| Donald Russell Limited | Great Britain | Ordinary | 100 |
| TecFoods Limited | Great Britain | Ordinary | 100 |
| FineFrance UK Limited | Great Britain | Ordinary | 100 |
| Albion Fine Foods Limited | Great Britain | Ordinary | 75.1 |
| FineFrance UK Holdings Limited | Great Britain | Ordinary | 100 |
| Cottage Delight Properties Limited | Great Britain | Ordinary | 100 |
| Cottage Delight Limited | Great Britain | Ordinary | 100 |
| Coolcare Logistics Limited | Great Britain | Ordinary | 81 |
| The following subsidiaries have a registered office at *Unit 1, Baytree Farm Middle Lane, Kings Norton, Birmingham, B38 0DT* | | | |
| Friendship Foods Limited | Great Britain | Ordinary | 100 |
| The following subsidiaries have a registered office at *C/O Brodies LLP Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP* | | | |
| Vestey Properties Limited | Great Britain | Ordinary | 100 |
| The following subsidiaries have a registered office at *15 Avenue de la Grande Armee, 75116 Paris France* | | | |
| Vestey Foods International SA | France | Ordinary | 76 |
| Vestey Foods France SAS | France | Ordinary | 84 |

## 30 Subsidiaries *(continued)*

| Principal direct subsidiaries | Country of incorporation | Class of shares | Percentage of holding |
|---|---|---|---|
| The following subsidiary has a registered office at *Herluf Trolles Gade 4, 2.sal, 1052 Copenhagen Denmark* | | | |
| Vestey Foods Denmark A/S | Denmark | Ordinary | 76 |
| Vestey Foods Nordic A/S | Denmark | Ordinary | 81 |
| The following subsidiary has a registered office at *PO Box 17748, Jebel Ali, Dubai, UAE* | | | |
| Vestey Foods Middle East FZE | UAE | Ordinary | 100 |
| The following subsidiary has a registered office at *Riyadhstraat 16 B-2321 Meer, Belgium* | | | |
| Vestey Foods Benelux NV | Belgium | Ordinary | 100 |
| The following subsidiary has a registered office at *321 North Front Street, Wilmington 28401, NC USA* | | | |
| Vestey Foods USA Inc | USA | Ordinary | 100 |
| The following subsidiary has a registered office at *Advokatfirmaet Sverdrup DA, Akersgata 1 0158 OSLO, Norway* | | | |
| Vestey Foods Norge AS | Norway | Ordinary | 76 |
| The following subsidiary has a registered office at *RM809, Building A, Hong Kong Middle Road, Qingdao, China* | | | |
| Vestey Foods Qingdao | China | Ordinary | 76 |
| The following subsidiary has a registered office at *Kedainiu 25, LT-36220 Panevezys, Lithuania* | | | |
| UAB Vestey Foods Baltics | Lithuania | Ordinary | 100 |
| The following subsidiary has a registered office at *4th floor Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226 Philippines* | | | |
| WISK Fine Foods, inc | Philippines | Ordinary | 100 |
| WISK Production, inc | Philippines | Ordinary | 100 |
| The following subsidiary has a registered office at *Office Floor L41 & L42, Emirates Towers, Dubai UAE* | | | |
| WISK Investments LLC | UAE | Ordinary | 100 |
| The following subsidiary has a registered office at *115, Al Haram, Barka. PO Box 869, PC115, Oman* | | | |
| WISK LLC | Oman | Ordinary | 80 |

**30 Subsidiaries** *(continued)*

| | Country of incorporation | Class of shares | Percentage of holding |
|---|---|---|---|
| The following subsidiary has a registered office at *22, Isla de Cuba, Madrid 28042, Spain* | | | |
| WISK Foods Spain S.L | Spain | Ordinary | 80 |
| **Other** | | | |
| The following subsidiary has a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| K3 Advisory Limited | Great Britain | Ordinary | 37.5 |
| Western Pension Solutions | Great Britain | Ordinary | 50 |
| The following subsidiary has a registered office at *Urbanizacion La Vina, Av. Carabobo c/c Calle Uslar, Nivel 5, Valencia Edo Carabobo, Venezuela* | | | |
| Agropecuaria Flora C.A | Venezuela | Ordinary | *100 |
| **Dormant undertakings** | | | |
| The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| Arlington Meats Limited | Great Britain | Ordinary | 81 |
| Autocarve Limited | Great Britain | Ordinary | 81 |
| Bancroft Meats Limited | Great Britain | Ordinary | 81 |
| Banstead Meats Limited | Great Britain | Ordinary | 81 |
| Breakfield Meats Limited | Great Britain | Ordinary | 81 |
| Caterham Meats Limited | Great Britain | Ordinary | 81 |
| Coulsdon Meats Limited | Great Britain | Ordinary | 81 |
| Court Meats Limited | Great Britain | Ordinary | 81 |
| Cranbrook Meats Limited | Great Britain | Ordinary | 81 |
| Crescent Meats Limited | Great Britain | Ordinary | 81 |
| Croydon Meats Limited | Great Britain | Ordinary | 81 |
| Dorking Meats Limited | Great Britain | Ordinary | 81 |
| Epsom Meats Limited | Great Britain | Ordinary | 81 |
| Global Food Ingredients Limited | Great Britain | Ordinary | 81 |
| Global Meat Company Limited | Great Britain | Ordinary | 81 |
| Global Meat Midlands Limited | Great Britain | Ordinary | 81 |
| Global Meats (Newcastle) Limited | Great Britain | Ordinary | 81 |
| Global Meats (Scotland) Limited | Great Britain | Ordinary | 81 |
| Global Meats (Wales) Limited | Great Britain | Ordinary | 81 |
| Godstone Meats Limited | Great Britain | Ordinary | 81 |
| Golden Globe Trading Limited | Great Britain | Ordinary | 81 |
| Guildford Meats Limited | Great Britain | Ordinary | 81 |
| Harrow Meats Limited | Great Britain | Ordinary | 81 |
| Hooley Meats Limited | Great Britain | Ordinary | 81 |
| International Global Limited | Great Britain | Ordinary | 81 |
| John Wharton Meats Limited | Great Britain | Ordinary | 81 |
| Kenley Meats Limited | Great Britain | Ordinary | 81 |
| Leigh Meats Limited | Great Britain | Ordinary | 81 |
| Marlpit Meats Limited | Great Britain | Ordinary | 81 |

**30 Subsidiaries** *(continued)*

| **Dormant undertakings** | **Country of incorporation** | **Class of shares** | **Percentage of holding** |
|---|---|---|---|
| Newhaven Meats Limited | Great Britain | Ordinary | 81 |
| Ninorc Meats Limited | Great Britain | Ordinary | 81 |
| Pinnacle Meats Limited | Great Britain | Ordinary | 81 |
| Redhill Meats Limited | Great Britain | Ordinary | 81 |
| Redlands Cold Storage Limited | Great Britain | Ordinary | 81 |
| Reedham Meats Limited | Great Britain | Ordinary | 81 |
| Reigate Meats Limited | Great Britain | Ordinary | 81 |
| Repooc Meats Limited | Great Britain | Ordinary | 81 |
| Rusper Meats Limited | Great Britain | Ordinary | 81 |
| Semloh Meats Limited | Great Britain | Ordinary | 81 |
| Sheed Thomson International Limited | Great Britain | Ordinary | 81 |
| Ullswater Meats Limited | Great Britain | Ordinary | 81 |
| Vestey UK Holdings Limited | Great Britain | Ordinary | 81 |
| Vestey Foods International Trading Limited | Great Britain | Ordinary | 100 |
| Vestey UK Investments Limited | Great Britain | Ordinary | 81 |
| Wammco (Europe) Limited | Great Britain | Ordinary | 81 |
| Wammco (International) Limited | Great Britain | Ordinary | 81 |
| Wammco (UK) Limited | Great Britain | Ordinary | 81 |
| Welling Meats Limited | Great Britain | Ordinary | 81 |
| Whyteleafe Meats Limited | Great Britain | Ordinary | 81 |
| Woodcote Meats Limited | Great Britain | Ordinary | 81 |
| Coop Globe (Asia) Limited | Great Britain | Ordinary | 81 |
| Vestey UK (Retail) Limited | Great Britain | Ordinary | 81 |
| Vestey UK (Seafood) Limited | Great Britain | Ordinary | 81 |
| Vestey UK (Spalding) Limited | Great Britain | Ordinary | 81 |
| Vestey UK (Foodservice) Limited | Great Britain | Ordinary | 81 |
| Vestey UK (Ethnic) Limited | Great Britain | Ordinary | 81 |
| Pulborough Meats Limited | Great Britain | Ordinary | 81 |
| Cresswell Foods Limited | Great Britain | Ordinary | 81 |
| Wildbrooks Meats Limited | Great Britain | Ordinary | 81 |
| Wimbledon Meats Limited | Great Britain | Ordinary | 81 |
| Leeward Meats Limited | Great Britain | Ordinary | 81 |
| Southpark Meats Limited | Great Britain | Ordinary | 81 |
| Westminster Meats Limited | Great Britain | Ordinary | 81 |
| Maidenbower Meats Limited | Great Britain | Ordinary | 81 |
| Worth Meats Limited | Great Britain | Ordinary | 81 |
| Glebelands Meats Limited | Great Britain | Ordinary | 81 |
| Makepeace Meats Limited | Great Britain | Ordinary | 81 |
| Cavendish Meats Limited | Great Britain | Ordinary | 81 |
| Waterford Meats Limited | Great Britain | Ordinary | 81 |
| Arthur Meats Limited. | Great Britain | Ordinary | 81 |
| Ridgeway Meats Limited. | Great Britain | Ordinary | 81 |
| Tri-Service Solutions Limited | Great Britain | Ordinary | 81 |
| Beddington Meats Limited. | Great Britain | Ordinary | 81 |
| Nova Meats Limited. | Great Britain | Ordinary | 81 |
| Aldwick Meats Limited. | Great Britain | Ordinary | 81 |
| Wellesford Meats Limited. | Great Britain | Ordinary | 81 |
| Sausalito Meats Limited. | Great Britain | Ordinary | 81 |
| Cross Lane Meats Limited. | Great Britain | Ordinary | 81 |

The following subsidiary has a registered office at
*Herluf Trolles Gade 4, 2.sal, 1052 Copenhagen Denmark*

| | | | |
|---|---|---|---|
| Vestey Foods Aps | Denmark | Ordinary | 76 |
| VFD International Aps | Denmark | Ordinary | 76 |
| Herluf Trading Aps | Denmark | Ordinary | 76 |

**30 Subsidiaries** *(continued)*

* In line with the Group accounting policies, this subsidiary has not been consolidated. Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations.

The Group has received judgement in their legal case against the Venezuelan government with ICSID, the International Court for Arbitration in New York and is in the process of trying to collect against the compensation awarded.

The Group have not recognised any potential proceeds from the legal case in the financial statements because it is still early in the legal process and there is still insufficient certainty with regards to both timing and the final proceeds. This position will be reviewed as the legal process progresses.

In 2021 the Group is taking advantage of the audit exceptions available under section 479A(2)(a) of the Companies Act 2006 and the following subsidiary companies did not receive an audit:

Vestey Properties Limited
Vestey Foods International Trading Limited
Global Group UK Holdings Limited
Vestey Foods UK Limited
Vestey Foods International Limited
VFI Worldwide Limited
Vestey Foods Limited
Vestey Foods UK (Holdings) Limited
Vestey Foods International Holdings Limited
Autocarve Limited
Global Meats Company Limited
Global Meats Midlands Limited
International Global Limited
Redlands Cold Storage Limited
Sheed Thomson International Limited
Vestey UK Holdings Limited
Vestey UK Investments Limited
Vestey Farms Limited
Donald Russell Limited
Donald Russell Holdings Limited
TecFoods Limited
FineFrance UK Limited
Albion Fine Foods Limited
Cottage Delight Properties Limited
Cottage Delight Limited
Fine Foods Group Limited
FineFrance Holdings Limited
Friendship Foods Limited
Vestey Management Limited
K3 Advisory Limited
Western Solutions Holdings Limited
Western Pension Solutions Limited
Wisk Holdings Limited

Vestey Holdings Limited has given a statutory guarantee for the outstanding liabilities for each of these companies.

# Vestey Holdings Limited

Company Only

Report and Financial Statements

Year Ended

31 December 2021

Company Number 00066076

# Vestey Holdings Limited

**Balance sheet**
**at 31 December 2021**

| *Company number 00066076* | Note | 31 Dec 2021 £'000 | 31 Dec 2020 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible Assets | 4 | **3,047** | 3,169 |
| Investments in subsidiaries | 5 | **57,225** | 57,225 |
| | | **60,272** | 60,394 |
| **Current assets** | | | |
| Debtors | 7 | **38,466** | 38,205 |
| Cash at bank and in hand | | **1,195** | 3,878 |
| | | **39,661** | 42,083 |
| **Creditors: amounts falling due within one year** | 8 | **(5,629)** | (11,260) |
| **Net current assets** | | **34,032** | 30,823 |
| **Total assets less current liabilities** | | **94,304** | 91,217 |
| **Creditors: amounts falling due after more than one year** | 9 | **(8,000)** | (2,000) |
| **Net assets excluding pension liabilities** | | **86,304** | 89,217 |
| Pension scheme liabilities | 12 | **(1,087)** | (1,165) |
| | | **85,217** | 88,052 |
| **Capital and reserves** | | | |
| Share Capital | 10 | **5,000** | 5,000 |
| Share premium account | 11 | **9,765** | 9,765 |
| Retained earnings | 11 | **70,452** | 73,287 |
| Shareholders' funds | | **85,217** | 88,052 |

The Company loss for the year was £2,429,000 (2020 – profit of £2,983,000).

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2022 and were signed on its behalf by:

James K Barnes

J K Barnes

**Chairman**

The notes on pages 72 to 83 form part of these financial statements.

# Vestey Holdings Limited

## Statement of changes in equity
## For the year ended 31 December 2021

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **1 January 2021** | 5,000 | 9,765 | 73,287 | 88,052 |
| **Comprehensive income for the year** | | | | |
| Loss | - | - | (2,429) | (2,429) |
| Other comprehensive income | - | - | 94 | 94 |
| **Total comprehensive income for the year** | **-** | **-** | **(2,335)** | **(2,335)** |
| **Contributions by and distributions to owners** | | | | |
| Dividends to parent | - | - | (500) | (500) |
| **Total contributions by and distributions to owners** | **-** | **-** | **(500)** | **(500)** |
| **31 December 2021** | **5,000** | **9,765** | **70,452** | **85,217** |

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **1 January 2020** | 5,000 | 9,765 | 70,743 | 85,508 |
| **Comprehensive income for the year** | | | | |
| Loss | - | - | 2,983 | 2,983 |
| Other comprehensive income | - | - | (139) | (139) |
| **Total comprehensive income for the year** | **-** | **-** | **2,844** | **2,844** |
| **Contributions by and distributions to owners** | | | | |
| Dividends to parent | - | - | (300) | (300) |
| **Total contributions by and distributions to owners** | **-** | **-** | (300) | (300) |
| **31 December 2020** | **5,000** | **9,765** | **73,287** | **88,052** |

The notes on pages 72 to 83 form part of these financial statements.

## 1 Accounting policies

***Basis of preparation***

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework which have both been applied. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

*Basis of measurement*

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Contingent consideration
- Net defined benefit liability

Amounts are rounded to the nearest £'000, unless otherwise stated.

The principal accounting policies are:

***Valuation of investments***

Investments held as fixed assets are stated in the financial statements at the lower of cost and recoverable amount. Any resulting impairment loss is taken to the profit and loss account.

All other accounting policies are detailed in the accounting policies to the consolidated financial statements (see page 22).

*Disclosure exemptions adopted*

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by International Accounting Standards in conformity with the Companies Act 2006;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Vestey Holdings Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Vestey Holdings Limited.

These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

## 2 Critical accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. The critical accounting estimates that were made in the preparation of these financial statements are detailed in the critical accounting estimates section of the consolidated financial statements (see page 33).

The Group is required to test, on an annual basis, whether investments in group undertakings have suffered any impairment. The carrying value is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

Impairment provisions for receivables from group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

## 3 Profit and loss account

A separate profit and loss account for the Company is not presented, in accordance with Section 408 of the Companies Act 2006.

The remuneration of the directors of the Company is disclosed in note 7 to the group financial statements.

## 4 Tangible assets

| | Freehold property £'000 | Leasehold property £'000 | Plant and machinery £'000 | Total £'000 |
|---|---|---|---|---|
| *Cost* | | | | |
| At 1 January 2021 | 3,470 | 51 | 253 | 3,774 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 December 2021 | **3,470** | **51** | **253** | **3,774** |
| *Depreciation* | | | | |
| At 1 January 2021 | 320 | 51 | 234 | 605 |
| Charge for year | 117 | - | 5 | 122 |
| Disposals | - | - | - | - |
| At 31 December 2021 | **437** | **51** | **239** | **727** |
| *Net book value* | | | | |
| At 31 December 2021 | **3,033** | - | **14** | **3,047** |
| At 31 December 2020 | 3,150 | - | 19 | 3,169 |

## 5 Investments

| | Shares in group undertakings £'000 |
|---|---|
| *Cost* | |
| At 1 January 2021 | 66,029 |
| Disposal | - |
| At 31 December 2021 | **66,029** |
| *Provisions* | |
| At 1 January 2021 | 8,804 |
| Provision against investment | - |
| At 31 December 2021 | 8,804 |
| *Net book value* | |
| At 31 December 2021 | **57,225** |
| At 31 December 2020 | 57,225 |

## 6 Additional information on subsidiaries and associated undertakings

| **Principal direct subsidiaries** | **Country of incorporation** | **Class of shares** | **Percentage of holding** |
|---|---|---|---|
| The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| Vestey Foods Limited | Great Britain | Ordinary | 100 |
| Vestey Farms Limited | Great Britain | Ordinary | 100 |
| Donald Russell Holdings Limited | Great Britain | Ordinary | 100 |
| Fine Foods Group Limited | Great Britain | Ordinary | 100 |
| Wisk Holdings Limited | Great Britain | Ordinary | 100 |
| Western Solutions Holdings Limited | Great Britain | Ordinary | 50 |
| **Principal indirect subsidiary undertakings** | | | |
| **Trading Division** | | | |
| The following subsidiaries have a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| Global Group UK Holdings Limited | Great Britain | Ordinary | 100 |
| Vestey Foods UK Limited | Great Britain | Ordinary | 81 |
| Coolcare Logistics Limited | Great Britain | Ordinary | 81 |
| Vestey Foods UK Holdings Limited | Great Britain | Ordinary | 81 |
| Vestey Foods International Limited | Great Britain | Ordinary | 76 |
| Vestey Foods International Holdings Limited | Great Britain | Ordinary | 76 |
| VFI Worldwide Limited | Great Britain | Ordinary | 76 |
| Donald Russell Limited | Great Britain | Ordinary | 100 |
| TecFoods Limited | Great Britain | Ordinary | 100 |
| FineFrance UK Limited | Great Britain | Ordinary | 100 |
| Albion Fine Foods Limited | Great Britain | Ordinary | 75.1 |

**6 Additional information on subsidiaries and associated undertakings** *(continued)*

| Principal indirect subsidiary undertakings | Country of incorporation | Class of shares | Percentage of holding |
|---|---|---|---|
| FineFrance UK Holdings Limited | Great Britain | Ordinary | 100 |
| Cottage Delight Properties Limited | Great Britain | Ordinary | 100 |
| Cottage Delight Limited | Great Britain | Ordinary | 100 |
| The following subsidiaries have a registered office at *Unit 1, Baytree Farm Middle Lane, Kings Norton, Birmingham, B38 0DT* | | | |
| Friendship Foods Limited | Great Britain | Ordinary | 100 |
| The following subsidiaries have a registered office at *C/O Brodies LLP Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP* | | | |
| Vestey Properties Limited | Great Britain | Ordinary | 100 |
| The following subsidiaries have a registered office at *15 Avenue de la Grande Armee, 75116 Paris France* | | | |
| Vestey Foods International SA | France | Ordinary | 76 |
| Vestey Foods France SAS | France | Ordinary | 84 |
| The following subsidiary has a registered office at *Herluf Trolles Gade 4, 2.sal, 1052 Copenhagen Denmark* | | | |
| Vestey Foods Denmark A/S | Denmark | Ordinary | 76 |
| Vestey Foods Nordic A/S | Denmark | Ordinary | 81 |
| The following subsidiary has a registered office at *Riyadhstraat 16 B-2321 Meer, Belgium* | | | |
| Vestey Foods Benelux NV | Belgium | Ordinary | 100 |
| The following subsidiary has a registered office at *PO Box 17748, Jebel Ali, Dubai, UAE* | | | |
| Vestey Foods Middle East FZE | UAE | Ordinary | 100 |
| The following subsidiary has a registered office at 321 North Front Street, Wilmington 28401, NC USA | | | |
| Vestey Foods USA Inc | USA | Ordinary | 100 |
| The following subsidiary has a registered office at RM809, Building A, Hong Kong Middle Road, Qingdao, China | | | |
| Vestey Foods Qingdao | China | Ordinary | 76 |
| The following subsidiary has a registered office at *Kedainiu 25, LT-36220 Panevezys, Lithuania* | | | |
| UAB Vestey Foods Baltics | Lithuania | Ordinary | 100 |
| The following subsidiary has a registered office at *Office Floor L41 & L42, Emirates Towers, Dubai UAE* | | | |
| Wisk Investments LLC | UAE | Ordinary | 100 |

## 6 Additional information on subsidiaries and associated undertakings *(continued)*

| Principal indirect subsidiary undertakings | Country of incorporation | Class of shares | Percentage of holding |
|---|---|---|---|
| The following subsidiary has a registered office at *4th floor Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226 Philippines* | | | |
| Wisk Fine Foods, inc | Philippines | Ordinary | 100 |
| WISK Production, inc | Philippines | Ordinary | 100 |
| The following subsidiary has a registered office at *22, Isla de Cuba, Madrid 28042, Spain* | | | |
| WISK Foods Spain S.L | Spain | Ordinary | 80 |
| The following subsidiary has a registered office at *115, Al Haram, Barka. PO Box 869, PC115, Oman* | | | |
| WISK LLC | Oman | Ordinary | 80 |
| **Other** | | | |
| The following subsidiary has a registered office at *Urbanizacion La Vina, Av. Carabobo c/c Calle Uslar, Nivel 5, Valencia Edo Carabobo, Venezuela* | | | |
| Agropecuaria Flora C.A | Venezuela | Ordinary | *100 |
| The following subsidiary has a registered office at *29 Ullswater Crescent, Coulsdon, Surrey CR5 2HR United Kingdom* | | | |
| Vestey Management Limited | Great Britain | Ordinary | 100 |
| K3 Advisory Limited | Great Britain | Ordinary | 37.5 |
| Western Pension Solutions Limited | Great Britain | Ordinary | 50 |

* In line with the Group accounting policies, this subsidiary has not been consolidated. Following the illegal expropriation of assets by the Venezuelan government on 4 December 2011 the Group ceased to have any day to day control over the activity of the farming operations of the company, ceased to have beneficial rights to the operations assets or income and ceased to have a liability over the current or past obligations relating to the operations.

The underlying nature of all undertakings is food service.

The proportion of ordinary shares held reflects the proportion of voting rights in the respective entities.

As the full list of subsidiaries and associated undertakings would be of excessive length to include in this report, it will be attached to the next Annual Return filed with the Registrar of Companies as permitted by Section 410 of the Companies Act 2006.

## 7 Debtors

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Amounts falling due within one year: | | |
| Amounts due from subsidiary undertakings | **49,134** | 45,503 |
| Less: provision for impairment of amounts due from subsidiary undertakings | **(13,309)** | (9,645) |
| Amounts due from subsidiary undertakings net | **35,825** | 35,858 |
| Other debtors | **1,580** | 1,667 |
| Prepayments | **145** | 106 |
| Corporation tax | **621** | 574 |
| Derivative financial assets | **295** | - |
| | **38,466** | 38,205 |

The Group applies the IFRS 9 general three-stage approach to measuring expected credit losses using a lifetime expected credit loss provision for amounts due from subsidiary undertakings and other financial assets. The impairment measure looks at changes in expected credit losses and looks at the recognition of both the loan and interest revenue (where the asset has been time discounted).

At 31 December 2021 the lifetime expected loss provision for amounts due from subsidiary undertaking is £13,309,000, which compares to the expected loss provision of £9,645,000 provided on the 31 December 2020.

## 8 Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Amounts due to group undertakings | **4,148** | 4,076 |
| Amounts due to parent undertaking | | - |
| Bank loans and overdrafts | **-** | 6,000 |
| Other taxation and social security | **203** | 228 |
| Other creditors | **156** | 155 |
| Accruals | **1,122** | 801 |
| | **5,629** | 11,260 |

## 9 Creditors: amounts falling due after more than one year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Bank loans and overdrafts | **8,000** | 2,000 |
| | **8,000** | 2,000 |
| The repayment terms of debt falling due after more than one year are as follows: | | |
| Between one and two years | **8,000** | 2,000 |

## 9 Creditors: amounts falling due after more than one year *(continue)*

The bank loan is an £8,000,000 UK Government backed Covid-19 loan, which is repayable in July 2023, interest rates are between 2.5% and 2.95%.

## 10 Share capital

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| *Authorised* | | |
| 1,000,000 Ordinary shares of £10 each | **10,000** | 10,000 |
| *Allotted, called up and fully paid* | | |
| 500,000 Ordinary shares of £10 each | **5,000** | 5,000 |

## 11 Reserves

The following describes the nature and purpose of each reserve within equity:

| Reserve | Description and purpose |
|---|---|
| *Share premium* | Amount subscribed for share capital in excess of nominal value. |
| *Retained earnings* | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

## 12 Pension schemes

The Company operates a number of pension schemes, with assets held in separate trustee-administered funds. Valuations of each scheme are carried out by independent qualified actuaries at least every three years and the contributions to the schemes are paid in accordance with their recommendations.

The pension schemes are as follows:

- Unfunded Defined Benefit Scheme, which is a United Kingdom unfunded defined benefit scheme for certain past and current directors. The pension costs relating to this scheme are assessed in accordance with the recommendations of a professionally qualified actuary;
- Western Pension Trust, which is a multi-employer money purchase scheme.

Expected contributions for the next accounting period are £102,000 (2020 - £61,000) in respect of the Western Pension Trust multi-employer money purchase scheme.

The total pension costs for the company charged in the 2021 profit and loss account amounted to £70,000 (2020 – £65,000), in respect of the Western Pension Trust multi-employer money purchase scheme.

The total actuarial gain for the Company charged to other operating income in 2021 amounted to £94,000 (2020 – loss of £139,000), all of which related to the unfunded defined benefit scheme.

### Unfunded defined benefit scheme

The Company operates an unfunded defined benefit scheme. This scheme provides promises to five executive employees, three of whom have left service. No company contributions are presently being paid in respect of these promises.

## 12 Pension schemes *(continued)*

The scheme is exposed to a number of risks, including:

- *Changes in bond yields*: a decrease in bond yields will increase the value placed on the Scheme's liabilities for accounting purposes.
- *Inflation risk*: A significant portion of the Plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities (although, in most cases, caps on levels of inflationary increases are in place to protect against extreme inflation).
- *Life expectancy*: The majority of the Plan's obligations are to provide for the life of the member, so increase in life expectancy will result in an increase in the liabilities.

In accordance with the requirements of IAS 19 the main financial assumptions are as follows:

| | **2021** | **2020** |
|---|---|---|
| Rate of inflation (%) | **3.5** | 3.2 |
| Rate of increase in pensions in payment (%) | **3.1** | 3.1 |
| Liquidity discount rate (%) | **2.0** | 1.4 |
| Mortality assumption - male (years) | **88.9** | 88.9 |

The plan is an unfunded pension arrangement and thus does not hold any assets in respect of the liabilities.

***Reconciliation of the present value of the scheme liabilities***

| | **2021 £'000** | **2020 £'000** |
|---|---|---|
| **Balance at 1 January** | **(1,165)** | (1,006) |
| Current service cost | | |
| Interest cost | **(16)** | (20) |
| **Included in profit or loss** | **(16)** | (20) |
| Actuarial gain/(loss) due to change in financial assumptions | **84** | (117) |
| Actuarial gain due to demographic assumptions | **-** | (4) |
| Actuarial loss due to liability experience | **10** | (18) |
| **Included in other comprehensive income** | **94** | (139) |
| Benefits paid | **-** | - |
| **Balance at 31 December** | **(1,087)** | (1,165) |

***Sensitivity analysis***

The key assumptions used are: discount rate, inflation and mortality. If different assumptions are used, this could have a significant effect on the results disclosed.

## 12 Pension schemes *(continued)*

The sensitivity of the results to these assumptions are as follows:

| Actuarial assumption | Reasonably possible change | Increase in liability £'000 | Revised liability £'000 |
|---|---|---|---|
| Discount rate | **Decrease of 0.5%** | 80 | (1,167) |
| Inflation rate assumption | **Increase of 0.5%** | 20 | (1,107) |
| Life expectancy | **Increase by 1 year** | 40 | (1,127) |

## 13 Contingent liabilities and guarantees

There are contingent liabilities in respect of joint and several liabilities for VAT under the ultimate company group registration.

The unrecognised deferred tax asset in respect of the company as at 31 December 2021 is £1,696,000 (2020 - £1,696,000).

## 14 Related party transactions

*Transactions with non-wholly owned subsidiary undertakings*

During the year, the company entered into the following transactions with non-wholly owned subsidiary undertakings:

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Profit and Loss** | | |
| Provision of services charged | **30** | 30 |
| Provision of services received | **122** | 120 |
| Interest charged on Group loans | **356** | 238 |
| **Balance Sheet** | | |
| Amounts owed by non-wholly owned subsidiary undertakings | **14,637** | 15,351 |
| Amounts owed to non-wholly owned subsidiary undertakings | **-** | 23 |

Vestey Holdings Limited has entered into an agreement with the MoD which guarantees that Purple FoodService Solutions Limited will be provided with the resources necessary to fulfil its obligations under its contract with the MoD.

## 15 Ultimate parent undertaking

The immediate parent company is Vestey Group Limited.

The ultimate parent company is Western United Investment Company Limited. Both companies are incorporated in Great Britain.

The smallest group of companies for which group financial statements are prepared and of which the company is a member is the Western United Investment Company Limited group.

The financial statements of Western United Investment Company Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

## 16 Financial instruments – Risk Management

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk.

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

***Principal financial instruments***

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

Floating-rate bank loans, and
Forward currency contracts

*(a) Financial instruments by category*

| Financial assets | Financial assets at value through profit or loss | | Loans and receivables | |
|---|---|---|---|---|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Other receivables | - | - | 37,405 | 37,525 |
| Derivatives | 295 | - | - | - |
| **Total financial assets** | **295** | - | **37,405** | 37,525 |

| Financial liabilities | Financial liabilities at value through profit or loss | | Financial liabilities at amortised costs | |
|---|---|---|---|---|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Other payables | - | - | 5,426 | 5,032 |
| Loans and borrowings | - | - | 8,000 | 8,000 |
| **Total financial liabilities** | - | - | **13,426** | 13,032 |

## 16 Financial instruments – Risk Management *(continued)*

*(b) Financial instruments not measured at fair value*

Financial instruments not measured at fair value include other receivables, other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of other receivables, other payables approximates their fair value.

*(c) Financial instruments measured at fair value*

The fair value hierarchy of Derivative financial assets and liabilities measured at fair value is Level 2.

The asset / liability fair value is derived from the value of the forward currency contract converted at the period end exchange rate and adjusted for forward points and an internal bank risk assessment compared to the contract converted currency value.

***General objectives, policies and processes***

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's management team. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

*Credit risk*

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

*Market risk*

Market risk mainly arises from the company's use of foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changing foreign exchange rates (currency risk) or other market factors (other price risk).

*Foreign exchange risk*

Foreign exchange risk arises in the company where it lends money to group subsidiary undertakings in different currencies to the sterling. The company's policy is to significantly reduced exposure risk by hedging 100% of the actual foreign currency loans against pound sterling at the lending date.

In order to monitor the continuing effectiveness of this policy, the company produces monthly reconciliations between the revalued loan balances and the mark to mark valuation of the forward currency contracts.

As of 31 December the Company's net unhedged exposure to foreign currency exchange risk was as follows:

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Net foreign currency financial assets | | |
| EUR | 24 | 5 |
| USD | - | 16 |
| Other | - | 14 |
| | 24 | 35 |

## 16 Financial instruments – Risk Management *(continued)*

*Liquidity risk*

Liquidity risk arises from the company's receipt of dividends from subsidiary undertakings and the repayment of Group loans against the payment obligations and its principal repayments on its debt instruments. It is a risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim cash flow, overhead and group loan forecasts are prepared each month as part of the monthly management accounts. The current and forecast requirements are reviewed in conjunction with budgeted levels and existing financing facilities to ensure that sufficient headroom is maintained.

## 17 Derivative financial instruments

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| **Derivative financial assets** | | |
| Derivatives not designated as hedging instruments | | |
| Forward foreign exchange contracts | **295** | - |

All derivative financial assets are current assets. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

All derivative financial assets are current assets.

*Cash flow forward foreign exchange contracts*

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than their functional currency. Where this occurs and a natural hedge is not available company will enter into a matching forward foreign exchange contract with a reputable bank.

The amounts of outstanding forward foreign exchange contracts were:

| | Notional principal amounts | | Fair value assets | |
|---|---|---|---|---|
| | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Foreign currency sale contracts | | | | |
| Hedging Instrument | **18,352** | - | **295** | - |

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months.