

Registered number: 08485608

Kavli UK Limited

Annual report

31 December 2022

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Kavli UK Limited

Company Information

Directors	K Hamnes P R Lewney
Company secretary	L Hayes
Registered number	08485608
Registered office	Kingsway Team Valley Trading Estate Gateshead Tyne and Wear NE11 0ST
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	DNB The Walbrook Building 25 Walbrook London EC4N 8AF
Solicitors	Square One Law LLP Fleming Business Centre Burdon Terrace Newcastle upon Tyne NE2 3AE

Kavli UK Limited

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Kavli UK Limited

Group strategic report Year ended 31 December 2022

The directors present their strategic report on the company and group for the year ended 31 December 2022.

Principal activities and business review

Kavli UK Limited is a wholly owned subsidiary of Kavli Holding A/S and operates as part of the Kavli Holding A/S group's UK division. The Kavli Trust (Kavlifondet) is the sole owner of Kavli Holding A/S which runs the commercial operations of the Scandinavian based Kavli food group. The objective of Kavli Holding A/S is to provide secure, long-term funding to the Kavli Trust so that it can continue to support good causes, being humanitarian work and research as well as cultural activities. All of the prior year profits after taxation of Kavli UK Limited are normally transferred to Kavli Holding A/S for the ultimate benefit of the Kavli Trust other than in years where there are specific cash flow requirements to grow the UK businesses.

The principal activities of the company and its subsidiaries are the manufacture and sale of food products to the retail food and food service industries in the United Kingdom and Europe. There have not been any significant changes in the group's principal activities in the year under review.

As shown in the consolidated profit and loss account on page 11, the group's turnover from continuing operations is 10.7% higher than the prior year. Profit before taxation has decreased to £1,299,652 (2021: £2,229,595), primarily as a result of one-off income generated in 2021, partially offset by the loss on disposal of a subsidiary in the prior year, input cost price pressures as well as higher labour costs that we have been unable to recover from our customers.

The consolidated balance sheet on page 13 shows that the group's financial position at the year end is, in net asset terms, higher than the prior year due to the profit made in the year.

Key performance indicators (KPIs)

The group manages its operations using key performance indicators. In line with the overriding objective of the business, profitability and return on the Kavli Trust's income-generating assets is of paramount importance. The principal financial key performance indicators monitored to ensure achievement of the objective include:

KPI	Definition	2022	2021
Profitability	Operating profit in absolute terms and	£1,212,136	£4,072,579
	Operating margin	2.8%	7.7%

Results have reduced following the disposal of a subsidiary in 2021, one-off income in 2021 and higher input cost price pressures in 2022.

Return on average capital employed	Operating profit divided by the average of the opening and closing total assets less current liabilities	4.7%	15.9%
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Return on capital employed has worsened given the lower profit made in the year.

Average monthly working capital	Average monthly short term assets less average short term liabilities (excluding cash, overdrafts & group balances) as percentage of turnover	7.7%	7.0%
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The average monthly working capital position has remained consistent with the prior year.

Kavli UK Limited

Group strategic report (continued) **Year ended 31 December 2022**

Principal risks and uncertainties

The group faces a number of risks and uncertainties in the course of its day-to-day operations, including:

Competitive pressure in the United Kingdom is a continuing risk for the group, and the group manages this risk by providing value-added services to its customers, having fast response times in supplying products, new product development, and by maintaining strong relationships with its customers.

Raw material availability/pricing is a risk in respect of key raw materials. The group monitors raw material sources for key inputs and negotiates forward purchase contracts where appropriate. During 2022, like other food manufacturing businesses, the group has experienced significant inflationary pressures in raw material, energy and logistics prices. Whilst the group has navigated these challenges because of its risk management policies, the longer term pricing pressures are expected to remain in the short term at least.

Operational failure as a result of a major disaster is an inherent risk for the group. This could cause significant disruption to the business and so the group has a formal business continuity plan that is regularly updated.

Legislative and regulatory compliance is critical for a food manufacturing business. The group monitors current and forthcoming legislation regularly to ensure ongoing compliance.

Financial risk management

The group's operations expose it to a variety of financial risks. The policies applied by the group to manage these risks are set out below:

Price risk

The group is exposed to commodity risk as a result of its operations. Given the size of the group's operations, the cost of managing exposure to commodity price risk exceeds any potential benefits. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Currency risk

The group is exposed to currency risk through sales and purchases in Europe. The Kavli Holding group's treasury function takes out contracts to manage this risk at a group level.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers and financial institutions before sales and deposits are made. The group does not utilise debt finance.

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The group has both interest bearing assets (cash balances only) and liabilities. The group policy of maintaining low levels of debt reduces the volatility of future interest cash flows.

Section 172 Companies Act 2006

The directors must act in a way they consider would be most likely to promote the success of the group for the benefit of its members as a whole and in so doing must have regard to the six matters set out in Section 172(1). The board makes many decisions, examples of the more strategic of which are set out below:

Kavli UK Limited

Group strategic report (continued) Year ended 31 December 2022

Section 172 Companies Act 2006 (continued)

1. Long term consequences

Kavli Holding A/S aims to provide secure, long-term funding to the Kavli Trust so that it can continue to support good causes. The directors of the group therefore act in a way that is aligned to the objectives of Kavli Holding A/S by approving a three-year business plan, conducting regular business reviews to assess performance against the three-year plan, critically appraising market trends and consumer needs to ensure the long-term sustainability of the UK group and investing in capital equipment to support the emerging trends. The directors are not of the view that any decisions made in the current year represent such a change in strategic direction that they should be considered principal decisions.

2. Interest of employees

Employee engagement, reward and wellbeing is detailed in this report. In addition to this, the directors encourage the employees to participate in a more comprehensive colleague survey program, managed by an external company to ensure employees can make their views known to management in an anonymous, formalised way and to allow benchmarking against the company's peers. Internally there is also an employee suggestion programme which encourages employees to make suggestions to improve the current workplace.

3. Interest of other stakeholders

Effective communication and engagement with stakeholders is vital in maintaining the group's reputation and success, and as such the group strives to communicate and engage with all stakeholders on a regular basis. For external stakeholders this is done through timely distribution of annual financial statements, triannual meetings with pension scheme trustees, and the close relationships between senior management and key suppliers and customers. The websites and social media channels of the UK brands also provide details of corporate activities undertaken. For internal stakeholders the intranet, internal newsletters and regular team briefings serve to provide up to date news on developments within the group and other Kavli businesses.

4. Impact on community & environment

The directors recognise that the group's operations have the potential to impact the environment and therefore seek to improve sustainability in the long term both on a local and global scale. The group tracks its performance against its targets for corporate social responsibility which includes matters such as resource usage and ethical trading amongst others. Initiatives to achieve this include energy reduction targets, a review of the recyclability of product packaging for current products, and ensuring all new products developed have sustainable sourcing and are recyclable.

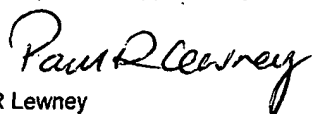
5. High standards of business conduct

The group's internal and external policies are reviewed by the directors, aligned to best practice and any recent statutory improvements adopted, e.g., Anti Bribery, Modern Slavery and GDPR. Further, all sites are subject to external accreditation, such as BRC, and internal quality procedures are in place to ensure each site maintains its grading. The group has a set of ethical guidelines that all employees are expected to adhere to such that the group's corporate culture is honourable and equitable, and the group behaves with integrity at all times.

6. Act fairly between shareholders

The UK group's only shareholder is Kavli Holding A/S, which is solely owned by the Kavli Trust. The board of directors of Kavli Holding A/S is made up of experienced, independent, non-executive directors with strong food industry knowledge to ensure the businesses in the group are being run fairly, ethically, and to generate the best return for the ultimate owner, the Kavli Trust. The UK directors are accountable to the board of directors in all matters which ensures they are acting fairly to the shareholder.

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



P R Lewney
Director
8 February 2023

Kavli UK Limited

Directors' report Year ended 31 December 2022

The directors present their annual report and the audited consolidated financial statements of the company and group for the year ended 31 December 2022.

Dividends

No dividend was paid during the year (2021: £1,561,268). The directors do not recommend the payment of a final dividend.

Research and development

The group continues to invest in research and development in its products and processes. This has resulted in a number of updates to existing products and processes as well as the launch of new products. The directors regard research and development investment as necessary for continuing success in the medium to long term future.

Future developments

The directors are not aware, at the date of this report, of any other likely major changes in the group's activities in the next year.

Post balance sheet events

There are no significant events since the balance sheet date.

Financial instruments

Details of the group's financial risk management objectives and its exposure to related risks are disclosed in page 2 of the strategic report.

Employee engagement, reward and well-being

Kavli UK Limited and its subsidiaries hold regular business updates and briefings with employees to allow information sharing on matters of concern to employees, including the financial and economic factors that may affect the performance of the company. These meetings provide opportunities for employees to make their views known to management about matters affecting them so that there is a free flow of information and ideas. Employees participate in the success of the business through periodic incentive schemes linked to financial performance. Furthermore, the Kavli Trust asks employees to propose local charitable causes for financial support to ensure employees are engaged with the Kavli Trust's reason for being.

The group wholeheartedly supports the principle of equal opportunities in employment. We are unreservedly opposed to any form of direct or indirect discrimination, for any reason, being applied against employees of the group, or those who seek employment with the group. This includes, but is not limited to, disabled persons, whereby full and fair consideration is given to applications for employment, having regard to their respective aptitudes and abilities and appropriate training and career development is offered. If members of staff become disabled, the group continues employment wherever possible and arranges retraining where appropriate.

Employee safety and wellbeing is engrained within all business activities with safety meetings providing a forum to promote continuous improvement and face-to-face engagement with senior management. The group routinely measures health and safety performance against its peers and continues to invest in workplace safety as part of its annual capital investment programme.

Kavli UK Limited

Directors' report (continued) Year ended 31 December 2022

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

K Hamnes
P R Lewney

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

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

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

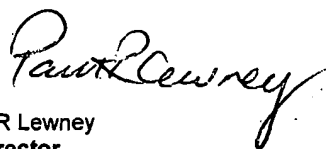
Kavli UK Limited

Directors' report (continued) Year ended 31 December 2022

Independent auditor

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

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



P R Lewney
Director
8 February 2023



Independent auditor's report to the members of Kavli UK Limited

Opinion

We have audited the financial statements of Kavli UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the group profit and loss account, the group statement of comprehensive income, the group and company balance sheets, the group statement of cash flows, the group and company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the 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.



Independent auditor's report to the members of Kavli UK Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group 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 page 5, 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.



Independent auditor's report to the members of Kavli UK Limited (continued)

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 Group 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 identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures in place regarding compliance with laws and regulations. We have communicated identified laws and throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

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

Secondly, the company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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



Independent auditor's report to the members of Kavli UK Limited (continued)

Use of our report

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

Michael Morris FCCA FCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

8 February 2023

Kavli UK Limited

Consolidated profit and loss account Year ended 31 December 2022

	Note	Continuing operations 2022 £	Discontinued operations 2022 £	Total 2022 £	Continuing operations 2021 £	Discontinued operations 2021 £	Total 2021 £
Turnover	5	42,557,223	-	42,557,223	38,426,600	14,566,182	52,992,782
Net operating expenses	6	(41,816,799)	471,712	(41,345,087)	(34,506,596)	(14,413,607)	(48,920,203)
Operating profit		740,424	471,712	1,212,136	3,920,004	152,575	4,072,579
Loss on disposal of operations		-	-	-	-	(1,830,918)	(1,830,918)
Profit/(loss) before Interest and taxation		740,424	471,712	1,212,136	3,920,004	(1,678,343)	2,241,661
Other interest receivable and similar income	7	149,076	-	149,076	4,040	1,570	5,610
Interest payable and similar expenses	8	(117,560)	-	(117,560)	(28,014)	(2,662)	(30,676)
Other finance income	10	56,000	-	56,000	13,000	-	13,000
Profit/(loss) before taxation		827,940	471,712	1,299,652	3,909,030	(1,679,435)	2,229,595
Tax on (profit)/loss	11	(133,388)	-	(133,388)	(1,274,947)	(64,951)	(1,339,898)
Profit/(loss) for the financial year		694,552	471,712	1,166,264	2,634,083	(1,744,386)	889,697

The 2021 results identified as discontinued include 11 months of trading of St Helen's Farm Limited, a wholly owned subsidiary of Kavli UK Limited, which was disposed of on 1 December 2021.

Kavli UK Limited

Consolidated statement of comprehensive income Year ended 31 December 2022

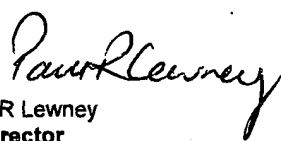
	Note	2022 £	2021 £
Profit for the financial year		1,166,264	889,697
Other comprehensive income			
Remeasurement of net defined benefit obligation	10	589,000	2,035,000
Impact of restriction on recognisable surplus	10	(645,000)	(2,130,000)
Total tax on components of other comprehensive income	11	14,000	23,750
Other comprehensive income for the year, net of tax		(42,000)	(71,250)
Total comprehensive income for the year		1,124,264	818,447

Kavli UK Limited

Consolidated balance sheet At 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	9,192,468	7,418,839
		<u>9,192,468</u>	<u>7,418,839</u>
Current assets			
Stocks	14	5,726,764	4,433,078
Debtors	15	20,711,385	22,277,669
Bank and cash balances		901	912
		<u>26,439,050</u>	<u>26,711,659</u>
Creditors: amounts falling due within one year	16	(9,308,130)	(8,838,268)
Net current assets		<u>17,130,920</u>	<u>17,873,391</u>
Total assets less current liabilities		<u>26,323,388</u>	<u>25,292,230</u>
Creditors: amounts falling due after more than one year	17	(71,231)	(76,048)
Provisions for liabilities			
Deferred tax	18	(602,469)	(483,081)
Net assets		<u><u>25,649,688</u></u>	<u><u>24,733,101</u></u>
Capital and reserves			
Called up share capital	19	20,234,886	20,234,886
Share premium account		1,056,987	1,056,987
Revaluation reserve		916,398	916,398
Profit and loss account		3,441,417	2,524,830
Total equity		<u><u>25,649,688</u></u>	<u><u>24,733,101</u></u>

The financial statements on pages 11 to 42 were approved by the board of directors on 8 February 2023 and were signed on its behalf by:


P R Lewney
Director

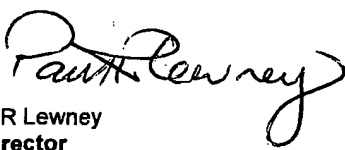
Kavli UK Limited

Company balance sheet At 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	-	370,046
Investments	13	7,244,827	7,244,827
		<u>7,244,827</u>	<u>7,614,873</u>
Current assets			
Stocks	14	-	-
Debtors	15	15,453,282	11,690,361
Cash at bank and in hand		-	-
		<u>15,453,282</u>	<u>11,690,361</u>
Creditors: amounts falling due within one year	16	(4,029,858)	(5,896,207)
Net current assets		<u>11,423,424</u>	<u>5,794,154</u>
Total assets less current liabilities		<u>18,668,251</u>	<u>13,409,027</u>
Provisions for liabilities			
Deferred tax	18	-	-
Net assets		<u>18,668,251</u>	<u>13,409,027</u>
Capital and reserves			
Called up share capital	19	20,234,886	20,234,886
Share premium account		1,056,987	1,056,987
Profit and loss account		(2,623,622)	(7,882,846)
Total equity		<u>18,668,251</u>	<u>13,409,027</u>

The company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the company profit and loss account. The profit for the financial year dealt with in the financial statements of the company was £237,339 (2021: loss of £8,250,071).

The financial statements of Kavli UK Limited, registered number 08485608, on pages 11 to 42 were approved by the board of directors on 8 February 2023 and were signed on its behalf by:


P R Lewney
Director

Kavli UK Limited

Consolidated statement of changes in equity Year ended 31 December 2022

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
Balance as at 1 January 2021	20,234,886	1,056,987	916,398	3,267,651	25,475,922
Profit for the financial year	-	-	-	889,697	889,697
Other comprehensive expense for the year	-	-	-	(71,250)	(71,250)
Total comprehensive income for the year	-	-	-	818,447	818,447
Dividends paid	-	-	-	(1,561,268)	(1,561,268)
Total transactions with owners, recognised directly in equity	-	-	-	(1,561,268)	(1,561,268)
Balance as at 1 January 2022	20,234,886	1,056,987	916,398	2,524,830	24,733,101
Comprehensive income for the year					
Profit for the financial year	-	-	-	1,166,264	1,166,264
Change in net assets disposed in prior year	-	-	-	(207,677)	(207,677)
Other comprehensive expense for the year	-	-	-	(42,000)	(42,000)
Total comprehensive income for the year	-	-	-	916,587	916,587
Dividends paid	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	-	-
Balance as at 31 December 2022	20,234,886	1,056,987	916,398	3,441,417	25,649,688

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Pre-1998 goodwill: The cumulative amount of goodwill resulting from acquisitions which has been written off to the profit and loss account is £1,094,873 (2021: £1,094,873).

The revaluation reserve represents the effect of the revaluation of freehold land and buildings in November 1988 (see notes 4 and 12).

The share premium account represents the premium paid over the face value of the ordinary shares issued.

Kavli UK Limited

Company statement of changes in equity Year ended 31 December 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance as at 1 January 2021	20,234,886	1,056,987	367,225	21,659,098
Loss for the financial year	-	-	(6,688,803)	(6,688,803)
Total comprehensive expense for the year	-	-	(6,688,803)	(6,688,803)
Dividends paid	-	-	(1,561,268)	(1,561,268)
Total transactions with owners, recognised directly in equity	-	-	(1,561,268)	(1,561,268)
Balance as at 1 January 2022	20,234,886	1,056,987	(7,882,846)	13,409,027
Comprehensive income for the year				
Profit for the financial year	-	-	237,339	237,339
Total comprehensive income for the year	-	-	237,339	237,339
Contributions by and distributions to owners				
Dividends received	-	-	5,021,885	5,021,885
Total transactions with owners, recognised directly in equity	-	-	5,021,885	5,021,885
Balance as at 31 December 2022	20,234,886	1,056,987	(2,623,622)	18,668,251

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The share premium account represents the premium paid over the face value of the ordinary shares issued.

Kavli UK Limited

Consolidated statement of cash flows Year ended 31 December 2022

	Note	2022 £	2021 £
Net cash inflow/(outflow) from operating activities	20	2,574,706	(5,033,892)
Tax paid		(223,060)	(1,371,351)
Net cash from/(used in) operating activities		2,351,646	(6,405,243)
Cash flows (used in)/from investing activities			
Proceeds from sale of subsidiary and associated undertakings		288,640	8,801,756
Purchase of tangible assets		(2,682,516)	(827,955)
Proceeds from disposals of tangible assets		10,703	16,292
Net cash (used in)/from investing activities		(2,383,173)	7,990,093
Cash flows from/(used in) in financing activities			
Dividends paid		-	(1,561,268)
Interest paid		31,516	(25,066)
Net cash from/(used in) financing activities		31,516	(1,586,334)
Net decrease in cash and cash equivalents		(11)	(1,484)
Cash and cash equivalents at the beginning of year		912	2,396
Cash and cash equivalents at the end of year		901	912
Cash and cash equivalents comprise:			
Cash at bank and in hand		901	912
Cash and cash equivalents at the end of the year		901	912

Kavli UK Limited

Consolidated analysis of net debt Year ended 31 December 2022

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	912	(11)	901
	<u>912</u>	<u>(11)</u>	<u>901</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

1. General information

Kavli UK Limited ('the company') and its subsidiaries (together 'the group') are engaged in the manufacture and sale of food products to the retail food and food service industries in the United Kingdom and Europe.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Kingsway, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0ST.

2. Statement of compliance

The group and company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The principal accounting policies applied in the preparation of these consolidated and company financial statements are set out below. These policies have been applied consistently in the current and prior year, unless otherwise stated.

3. Basis of preparation

These consolidated and company financial statements are prepared on a going concern basis, under the historical cost convention. They are presented in pound sterling and rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in critical accounting estimates, assumptions and judgements in applying the accounting policies.

4. Accounting policies

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

4.1 Going concern

The group meets its working capital requirements through its operating cash flows and access to group cash pooling resources.

The directors and management have prepared financial forecasts which show that the group should be able to operate within the level of its current cash reserves.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on the going concern basis.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.2 Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances are therefore eliminated in full.

Business combinations are accounted for under the purchase method, under which the acquiree's identifiable assets (including intangible assets), liabilities and contingent liabilities are recognised initially in the consolidated balance sheet.

4.3 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity in respect of its separate (non-group) financial statements and has taken advantage of the disclosure exemptions relating to certain financial instruments disclosures, disclosure of key management personnel compensation and presentation of a cash-flow statement. The equivalent disclosure, on a consolidated basis, is included in the consolidated financial statements.

4.4 Foreign currency

The company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses are recognised in the profit and loss account.

4.5 Revenue

Turnover

Turnover comprises revenue recognised in respect of goods supplied during the year, net of VAT, returns and trade discounts. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer.

Interest income

Interest income is recognised on the accruals basis.

Government grants

Government grants are recognised on the accruals basis. Grants relating to assets are recognised in the profit and loss account over the expected life of the asset. Other grants are recognised in the profit and loss account over the period in which the related costs are recognised. Grant monies received but deferred to future periods are included on the balance sheet within deferred income.

4.6 Employee benefits

The group provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.6 Employee benefits (continued)

Defined contribution pension plans

The group operates four (2021: six) defined contribution plans for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense in the profit and loss account in the year in which they are incurred. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

Defined benefit pension plan

The group operates a defined benefit pension scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. The defined benefit obligation is calculated using the projected unit credit method every three years by a professional qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates, and updates these as necessary. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss account as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit or loss account as a 'finance expense'.

4.7 Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

4.8 Research and development

Costs in respect of research and development activities are charged to the profit and loss account as they are incurred.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.9 Tax

Tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing differences.

4.10 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic or deemed cost, less accumulated depreciation and impairment losses. Cost, other than in relation to certain land and buildings, includes the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Long leasehold property was the subject of a professional revaluation as at 30 November 1988 and is stated at this amount, less accumulated depreciation and impairment. The group has adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use the previous revaluation as deemed cost at the date of transition.

Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Buildings	2.5% - 5% straight-line
Plant and machinery	10% - 33.33% straight-line
Motor vehicles	33.33% - 50% straight-line

Asset residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The effect of any change is accounted for prospectively.

4.11 Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the company's share of identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the profit and loss account over its useful economic life. The estimated useful life is 10 years.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.12 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on all intangible assets so as to write off the cost of an asset over its estimated useful life as follows:

Intellectual property rights	10% straight line
------------------------------	-------------------

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

4.13 Fixed asset investments

Investment in a subsidiary company is held at cost less accumulated impairment losses. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Investments where no control, joint control or significant influence are held i.e., other investments, are measured at fair value with movements going through profit and loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

4.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

The Kavli group operates a group cash pool arrangement therefore subsidiary cash balances or overdrafts are presented as amounts owed from or to group undertakings.

4.15 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost includes all direct costs and, for manufactured stocks and work in progress, an appropriate proportion of fixed and variable overheads. Cost is determined using the first-in first-out (FIFO) method.

Provision is made as necessary for damaged, obsolete or slow-moving items.

4.16 Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations on the group similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, and the interest elements are charge to the profit and loss account over the period of the leases to produce a constant periodic rate of charge on the remaining balance of the liability.

Leases that do not confer rights and obligations approximating to ownership are classified as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.17 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances, bank loans and loans to or from related parties, including fellow group companies.

Debt instruments due within one year are measured, initially and subsequently at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

4.18 Critical judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements in applying the company's accounting policies

In preparing these financial statements, the directors do not consider there to have been any significant judgements that were required in the process of applying the company's accounting policies.

Key sources of estimation uncertainty

i) Impairment of intangible assets, goodwill and investments (note 13)

The group considers whether intangible assets, goodwill and/or investments are impaired. Where an indication of impairment is identified, the estimation of recoverable value of the cash generating units (CGUs) is found by estimating the future cash flows from the CGUs and selecting suitable discount rates in order to calculate the net present value of those cash flows.

ii) Inventory provisioning

The group manufactures food products which are perishable. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.

iii) Defined benefit pension scheme

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 10 for the disclosures relating to the defined benefit scheme.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

4. Accounting policies (continued)

4.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

5. Turnover

All of the turnover derives from operations based in the United Kingdom and relates to the sale of food products.

Turnover by destination has been split as follows:

	2022 £	2021 £
United Kingdom	40,728,071	51,289,078
Europe	1,829,152	1,703,704
	<u>42,557,223</u>	<u>52,992,782</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

6. Net operating expenses

Operating profit is stated after (crediting)/charging:

	2022 £	2021 £
Change in stocks of finished goods and in work in progress	(263,993)	(25,765)
Raw materials and consumables	23,012,431	27,820,583
Product recall – insurance proceeds	-	(1,083,227)
Product recall – other costs	-	145,711
Staff costs (note 9)	9,680,878	9,801,740
Other operating income	(74,581)	(130,322)
Depreciation charge for the year:	-	-
Tangible fixed assets (note 12)	976,416	1,393,526
Amortisation of goodwill	-	2,053,458
Amortisation of government grants	(4,817)	(5,446)
Other operating charges	8,050,721	8,500,252
Operating leases	88,170	84,625
Research and development costs	326,745	311,437
Auditors' remuneration:	-	-
For the audit of the company's annual financial statements	3,250	3,000
For the audit of the subsidiary companies' annual financial statements	18,000	18,000
For tax and other services	6,766	25,725
Loss/(profit) on sale of tangible fixed assets	(3,187)	6,906
Profit on disposal of subsidiary	(471,712)	-
Net operating expenses	41,345,087	48,920,203

Product Recall - Primula Limited

During 2020 Primula Limited undertook a product recall on one of its product ranges caused by a production fault. All costs incurred have been fully recovered from the insurer. As at 31 December 2021, the company had recovered a surplus over its costs of £937,516 which represented lost contribution on lost sales as a result of the recall. This matter is now closed.

Other operating income

Other operating income consists of income from the recycling of manufacturing inputs and from providing sales and other support to companies that used to be members of the wider Kavli group.

St Helen's Farm Limited Divestment

On 1 December 2021, the UK group disposed of its 100% interest in St Helen's Farm Limited, held within Kavli UK Ltd, its 24% interest in Yorkshire Dairy Goats and its 24% interest in Elite Goat Genetics Limited, both held within Kavli Investments Limited. The profit on disposal in 2022 is as a result of adjustments following the finalisation of the sale.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

7. Other interest receivable and similar income

	2022 £	2021 £
Bank interest receivable	149,076	-
Other financial income	-	5,610
	<u>149,076</u>	<u>5,610</u>

8. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	39,418	13,637
Other financial expenses	78,142	17,039
	<u>117,560</u>	<u>30,676</u>

9. Information regarding directors and employees

The directors of Kavli UK Limited are also directors of Kavli UK Limited's subsidiaries. The directors received total emoluments during the year as described below from Kavli UK Limited and its subsidiaries, but it is not practical to allocate this between their services as executives of Kavli UK Limited and their services as directors of its subsidiaries.

	2022 £	2021 £
Directors' remuneration		
Aggregate emoluments (including benefits in kind)	<u>269,401</u>	<u>313,102</u>

Fees and other emoluments include amounts paid to:

	2022 £	2021 £
The highest-paid director		
Aggregate emoluments and benefits	<u>269,401</u>	<u>313,102</u>

As at 31 December 2022, retirement benefits were accruing to no (2021: no) directors under a personal pension plan to which the group or company has contributed in the year.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

9. Information regarding directors and employees (continued)

The average monthly number of persons (including executive directors) employed during the year was:

	Group 2022 Number	Group 2021 Number	Company 2022 Number	Company 2021 Number
Production	235	235	1	2
Sales and marketing	16	22	8	8
Administration	22	23	18	19
	<u>273</u>	<u>280</u>	<u>27</u>	<u>29</u>

Key management compensation:

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below.

	2022 £	2021 £
Aggregate emoluments (including benefits in kind)	915,191	956,049
Post-employment benefits	31,694	29,506
	<u>946,885</u>	<u>985,555</u>

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Staff costs during the year (including executive directors):				
Wages and salaries	8,222,258	8,429,279	1,590,899	1,822,697
Social security costs	857,738	846,368	213,680	228,613
Other pension costs	600,882	526,093	124,035	118,194
	<u>9,680,878</u>	<u>9,801,740</u>	<u>1,928,614</u>	<u>2,169,504</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

10. Employee benefits

Pension arrangements

A subsidiary company operates a funded defined benefit pension scheme and the parent company and two subsidiary companies operate a total of four funded defined contribution pension schemes. The assets of the schemes are held in separate trustee-administered funds.

The defined benefit pension scheme provides retirement benefits on the basis of members' final salary. On 1 June 1999 the defined benefit pension scheme was closed to new entrants and on 1 May 2007, this scheme was closed to future accrual. One of the defined contribution pension schemes was established on closure of the defined benefit pension scheme to provide benefits to new employees.

Contributions charged in the profit and loss account in the year in respect of the defined contribution schemes totalled £600,882 (2021: £526,093) and a further £nil (2021: £nil) was charged in relation to the defined benefit scheme (see below). At 31 December 2022, an accrual of £10,576 (2021: £12,674) was included in the balance sheet in respect of pension payments owed to the defined contribution schemes.

Defined benefit scheme

The latest full actuarial valuation of the Primula Limited Pension Scheme ("The Primula Defined Benefit Scheme"), using the projected unit method, was undertaken as at 30 April 2020.

The 2020 valuation was updated to 31 December 2022 by the defined benefit scheme's qualified actuary. The major assumptions used in the updated valuation were:

	2022	2021
Rate of increase in salaries	0.00%	0.00%
Rate of increase in pensions in payment	3.55%	3.50%
Discount rate	4.65%	1.75%
Inflation assumption - RPI	3.55%	3.50%
Inflation assumption - CPI	2.85%	2.80%

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Longevity at age 65 for current pensioners		
- Men	22.0	22.0
- Women	24.4	24.4
Longevity at age 65 for future pensioners		
- Men	23.6	23.6
- Women	26.1	26.1

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

10. Employee benefits (continued)

Reconciliation of scheme assets and liabilities:

	Fair value of plan assets £	Defined benefit obligation £	Benefit surplus £
At 1 January 2022	13,931,000	(10,744,000)	3,187,000
Expenses	(23,000)	23,000	-
Net interest	241,000	(185,000)	56,000
	218,000	(162,000)	56,000
Included in profit and loss account			
Benefits paid	(279,000)	279,000	-
Return on plan assets excluding amounts included in net interest expense	(3,219,000)	-	(3,219,000)
Actuarial changes:			
- arising from changes in demographic assumptions	-	23,000	23,000
- arising from changes in economic assumptions	-	4,011,000	4,011,000
Experience adjustments	-	(226,000)	(226,000)
	(3,498,000)	4,087,000	589,000
Included in statement of comprehensive income			
Contributions by employer	-	-	-
At 31 December 2022	10,651,000	(6,819,000)	3,832,000

The average duration of the defined benefit obligation at the end of the reporting period is approximately 15 years (2021: 18 years).

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

10. Employee benefits (continued)

Surplus restriction:

	2022 £	2021 £
At 1 January	3,187,000	1,057,000
Increase in year included in statement of comprehensive income	645,000	2,130,000
At 31 December	3,832,000	3,187,000

Analysis of the amount included in the profit before taxation is:

	2022 £	2021 £
Net interest on scheme assets	56,000	13,000

Fair value of plan assets:

	2022 £	2021 £
Equities	7,460,000	8,612,000
Bonds	2,198,000	3,449,000
Gilts	992,000	1,869,000
Cash	1,000	1,000
Total fair value of assets	10,651,000	13,931,000

Scheme assets do not include any of Primula Limited's own financial instruments, or any property occupied by Primula Limited.

Return on plan assets:

	2022 £	2021 £
Interest income	241,000	153,000
Return on plan assets less interest income	(3,219,000)	1,149,000
Total return on plan assets	(2,978,000)	1,302,000

The full actuarial valuation at 30 April 2020 showed a deficit of £164,000. The employer, Primula Limited, agreed to fund the deficit by two equal payments of £82,000, paid in December 2020 and December 2021.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

11. Tax

(a) Tax expense included in profit

	2022 £	2021 £
Current tax:		
UK corporation tax on profit for the year	-	1,072,618
Adjustments in respect of prior years	-	308
Total current tax	-	1,072,926
Deferred tax:		
Origination and reversal of timing differences	101,375	98,225
Effects of changes in tax rates	32,013	169,055
Adjustments in respect of prior years	-	(308)
Total deferred tax (note 18)	133,388	266,972
Tax on profit	133,388	1,339,898

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%).

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2022 £	2021 £
Profit before tax	1,299,652	2,229,595
Profit before tax multiplied by standard rate of tax in the UK of 19% (2021: 19%)	246,934	423,623
Effects of:		
Expenses not deductible for tax purposes	1,195	1,031,230
Benefit of super deduction	(96,587)	(44,800)
Changes in tax rates and laws	32,013	169,055
Income not taxable for tax purposes	(50,167)	(239,210)
Total tax charge for the year	133,388	1,339,898

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

11. Tax (continued)

(c) Tax amounts included in other comprehensive income

	2022 £	2021 £
Deferred tax current year credit (note 18)	<u>14,000</u>	<u>23,750</u>

(d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2021 leaving the main rate unchanged at 19% rising to 25% from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax relating to pension surplus

An analysis of the deferred tax balance relating to the pension scheme surplus is as follows:

	2022 £	2021 £
At 1 January	-	-
Deferred tax charge in the profit and loss account	(14,000)	(23,750)
Deferred tax credit in other comprehensive income	14,000	23,750
At 31 December	<u>-</u>	<u>-</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

12. Tangible fixed assets

Group

	Land and buildings £	Plant and machinery £	Motor vehicles £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2022	8,410,054	15,375,736	81,827	532,757	24,400,374
Additions	-	566,081	-	2,191,480	2,757,561
Disposals	-	(705,069)	-	-	(705,069)
Transfers between classes	-	178,526	-	(178,526)	-
At 31 December 2022	8,410,054	15,415,274	81,827	2,545,711	26,452,866
Depreciation					
At 1 January 2022	4,444,473	12,460,257	76,805	-	16,981,535
Charge for the year	239,648	731,746	5,022	-	976,416
Disposals	-	(697,553)	-	-	(697,553)
At 31 December 2022	4,684,121	12,494,450	81,827	-	17,260,398
Net book value					
At 31 December 2022	3,725,933	2,920,824	-	2,545,711	9,192,468
At 31 December 2021	3,965,581	2,915,479	5,022	532,757	7,418,839

The net book value of land and buildings may be further analysed as follows:

	2022 £	2021 £
Freehold	2,769,386	2,942,385
Long leasehold	956,547	1,023,196
	<u>3,725,933</u>	<u>3,965,581</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

12 Tangible fixed assets (continued)

Cost or valuation at 31 December 2022 is represented by:

Valuation	1,800,000	-	-	-	1,800,000
Cost	6,610,054	15,415,274	81,827	2,545,711	24,652,866
	<u>8,410,054</u>	<u>15,415,274</u>	<u>81,827</u>	<u>2,545,711</u>	<u>26,452,866</u>

Company

	Land and buildings £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2022	512,315	60,264	572,579
Disposals	(512,315)	-	(512,315)
At 31 December 2022	<u>-</u>	<u>60,264</u>	<u>60,264</u>
Depreciation			
At 1 January 2022	147,291	55,242	202,533
Charge for the year	6,404	5,022	11,426
Disposals	(153,695)	-	(153,695)
At 31 December 2022	<u>-</u>	<u>60,264</u>	<u>60,264</u>
Net book value			
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2021	<u>365,024</u>	<u>5,022</u>	<u>370,046</u>

The net book value of land and buildings may be further analysed as follows:

	2022 £	2021 £
Long leasehold	-	365,024
	<u>-</u>	<u>365,024</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

13. Fixed asset investments

Company

Investments
in
subsidiary
companies
£

Cost or valuation

At 1 January 2022 and 31 December 2022

7,244,827

Principal Group Investments

The company and the group have investments in the following subsidiary undertakings and other investments which principally affected the profits or net assets of the group.

Subsidiary undertakings	Country of incorporation	Registered number	Registered address	Principal activity	Holding	%
Primula Limited (direct)	England	00314886	Kingsway, TVTE, Gateshead, NE11 0ST	Manufacture and sale of cheese and other food products	Ordinary £5.50 shares	100%
Castle MacLellan Foods Limited (direct)	Scotland	SC077607	Riverside, Dee Walk, Kirkcudbright, DG6 4DR	Manufacture and sale of pâte	Ordinary £1 shares	100%
Kavli Investments Limited (direct)	England	08486555	Kingsway, TVTE, Gateshead, NE11 0ST	Investment company	Ordinary £1 shares	100%
Pudology Limited (indirect)	England	07911618	Sophia House, 28 Cathedral Road, Cardiff CF16 9LJ	Manufacture of other food products	Ordinary £1 shares	30%

Kavli Investments Limited has taken advantage of the exemption from audit under S479A of the Companies Act 2006. Accordingly, as parent undertaking, Kavli UK Limited has consented to the exemption and in accordance with S479C of the Companies Act 2006, has guaranteed all outstanding liabilities of Kavli Investments Limited as at 31 December 2022 until they are satisfied in full.

On 1 December 2021, Kavli UK Limited and Kavli Investments Limited disposed of their entire 100% shareholding in St Helen's Farm Limited, their 24% investment in Yorkshire Dairy Goats and their 24% investment in Elite Goat Genetics Limited. The profit on disposal in 2022 of £471,712 is as a result of adjustments following the finalisation of the sale.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

13. Fixed asset investments (continued)

Butter recall claim – St Helen's Farm Limited

During December 2021, after the disposal, St Helen's Farm Limited undertook a product recall on one of its product ranges, following a potential contamination during the manufacturing process. As the affected products were manufactured during the time of Kavli UK ownership, a provision has been made in the financial statements for potential claims. The provision booked of £260,000 (2021: £500,000) represents the costs which might be claimed and is the group's best estimate given the information known at the current time. This provision was included in the loss on disposal figure of the St Helen's Farm business.

All subsidiary companies are included in these consolidated financial statements.

14. Stocks

	2022 £	2021 £
Raw materials and consumables	4,123,459	3,093,766
Work in progress (goods to be sold)	35,009	22,851
Finished goods and goods for resale	1,568,296	1,316,461
	<u>5,726,764</u>	<u>4,433,078</u>

Stocks are stated after provisions for impairment of £855,250 (2021: £547,000).

There is no difference between the carrying amount of inventory and the replacement cost.

15. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due within one year:				
Trade debtors	8,146,849	7,647,646	252	268,561
Amounts owed by group undertakings:				
- group cash pool arrangement	11,646,760	13,720,421	15,060,652	10,908,386
- trading balances	1,147	18,777	256,631	473,450
Other debtors	347,730	594,761	-	-
Prepayments and accrued income	477,499	296,064	38,864	34,974
Tax recoverable	91,400	-	91,400	-
Deferred tax	-	-	5,483	4,990
	<u>20,711,385</u>	<u>22,277,669</u>	<u>15,453,282</u>	<u>11,690,361</u>

All amounts owed by group undertakings are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £192,216 (2021: £400,845).

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

16. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	5,192,866	4,021,225	13,302	132,755
Amounts owed to group undertakings:				
- trading balances	153,822	61,123	2,746,362	3,846,552
Corporation tax	-	223,058	-	192,340
Other tax and social security	458,627	512,907	223,444	304,883
Other creditors	642,268	629,791	464,802	504,279
Accruals	2,855,731	3,385,348	581,948	915,398
Deferred income - government grant	4,816	4,816	-	-
	<u>9,308,130</u>	<u>8,838,268</u>	<u>4,029,858</u>	<u>5,896,207</u>

All amounts owed to group undertakings are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

The government grants relate to grants awarded by the Scottish Government for the expansion of the Castle MacLellan Foods Limited factory in Kirkcudbright, Scotland. They are being released over the life of the assets acquired. If the group does not maintain approved headcount numbers, the group may be liable to repay certain government grants.

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Deferred income - government grant	71,231	76,048	-	-
	<u>71,231</u>	<u>76,048</u>	<u>-</u>	<u>-</u>

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

18. Deferred tax

Group

	2022 £
At 31 January	(483,081)
Charged to profit or loss	(133,388)
Charged to other comprehensive income	14,000
At 31 December	(602,469)

Company

	2022 £
At 31 January	4,990
Charged to profit or loss	493
At 31 December	5,483

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Capital allowances in excess of depreciation	1,132,901	569,522	(5,483)	(4,970)
Short term timing differences	(101,294)	(86,441)	-	(20)
Losses	(429,138)	-	-	-
	602,469	483,081	(5,483)	(4,990)

The net amount of deferred tax assets and liabilities relating to the group that are expected to reverse within one year of the balance sheet date is £7,652 (2021: £nil). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

The net amount of deferred tax assets relating to the company that are expected to reverse within one year of the balance sheet date is £nil (2021: £nil). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

19. Called up share capital

	2022 £	2021 £
Authorised, allotted and fully paid		
20,234,886 (2021: 20,234,886) ordinary shares of £1 each	20,234,886	20,234,886

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Notes to the cash flow statement

	2022 £	2021 £
Profit for the financial year	1,166,264	889,697
Tax on profit or loss	133,388	1,339,898
Net interest (income)/expense	(87,516)	12,066
(Profit)/loss on disposal of operations	(471,712)	1,830,918
Operating profit	740,424	4,072,579
Amortisation of intangible assets	-	2,053,458
Depreciation of tangible assets (note 12)	976,416	1,393,526
Write down of tangible assets	-	19,628
(Profit)/loss on disposal of tangible assets – continued operations	(3,187)	6,906
Profit on disposal of tangible assets – discontinued operations	-	(345,168)
Employer contributions to defined benefit pension scheme	-	(82,000)
Working capital movements:		
- (Increase)/decrease in stocks	(1,293,686)	378,584
- Decrease/(increase) in debtors	1,344,013	(11,324,017)
- Increase/(decrease) in payables	815,543	(1,201,942)
- Decrease in deferred income	(4,817)	(5,446)
Cash flow used in operating activities	2,574,706	(5,033,892)

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

21. Financial commitments

At 31 December the group and company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Expiring in less than one year	4,777	10,396	-	3,088
Expiring between one and five years	64,482	44,818	7,001	3,721
	<u>69,259</u>	<u>55,214</u>	<u>7,001</u>	<u>6,809</u>

22. Capital commitments

	2022 £	2021 £
Group		
Capital expenditure contracted for but not provided in the financial statements	<u>1,275,593</u>	<u>253,581</u>

23. Related party transactions

Group

There have been no transactions with key management personnel.

See note 9 for disclosure of the directors' remuneration and key management compensation.

During the year the group purchased £nil (2021: £3,216,400) of goods and services from Yorkshire Dairy Goats and sold goods and services amounting to £nil (2021: £13,300). At the year-end £nil (2021: £nil) is owed to Yorkshire Dairy Goats and is included within creditors and £nil (2021: £4,246) is outstanding from Yorkshire Dairy Goats and is included within debtors. All amounts are unsecured, due in 30 days and no guarantees have been given or received.

Company

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of Section 33 of FRS 102 'Related party disclosures' on the grounds that it is a wholly owned subsidiary of a group headed by Kavli Holding A/S, whose consolidated financial statements are publicly available.

Kavli UK Limited

Notes to the financial statements Year ended 31 December 2022

24. Ultimate and immediate parent companies

The directors regard Kavli Holding A/S, a company incorporated in Norway, as the immediate and the ultimate parent company.

The parent undertaking of the only group which includes the company and its subsidiary undertakings, and for which consolidated financial statements are prepared, is Kavli Holding A/S.

Copies of the financial statements for this group can be obtained from:

Kavli Holding A/S
Postboks 7360
5020 Bergen
Norway

The ultimate controlling party of Kavli Holding A/S is the Kavli Trust (Kavlifondet), formerly known as O Kavli og Knut Kavli's Almennyttige Fond, a charitable foundation established in Norway.