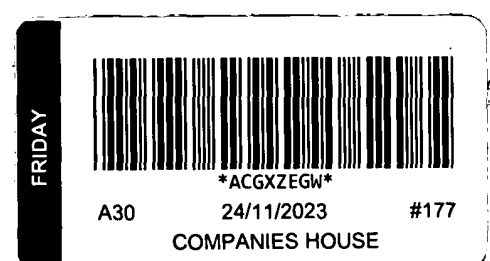


Company Registration No. SC220000

Karro Food Limited

Annual Report and Financial Statements

For the 52 week period ended 25 March 2023



Karro Food Limited

**Annual Report and Financial Statements
For the 52 week period ended 25 March 2023**

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Karro Food Limited

**Annual report and financial statements
For the 52 week period ended 25 March 2023**

Officers and professional advisers

Director

A Rutherford

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
United Kingdom
LS1 5AB

Registered Office

13 Queens Road
Aberdeen
Scotland
United Kingdom
AB15 4YL

Bankers

National Westminster Bank PLC
3rd Floor
2 Whitehall Quay
Leeds
LS1 4HR

Independent auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Karro Food Limited

Strategic report

The Director presents the Strategic Report for the 52 week period ended 25 March 2023.

The prior period was a 51 week period ended 26 March 2022.

The Company's accounting reference date is 31 March.

As per Companies Act 2006 s390 the financial period may begin or end on dates which are not more than seven days before or after the accounting reference date. As such the 2023 fiscal period ends on 25 March 2023 and the financial statements have been prepared to this date accordingly. The prior fiscal period was a 51 week period ended 26 March 2022.

Principal activities and review of the business

Karro Food Limited is a subsidiary trading company within the UK 111 Limited group of companies ('the Group') and is a leading supplier of British pork primarily into the UK retail, trade and food service industries and other UK and global food producers.

The principal activities of the Company during the 52 week trading period were the processing and selling of pork meat products.

The Income Statement on page 16 shows a loss after taxation for the 52 week period ended 25 March 2023 of £6.0m (51 week period ended 26 March 2022: loss of £4.6m). EBITDA was £8.9m profit (51 week period ended 26 March 2022: £8.3m profit) (EBITDA being profit before interest, taxation, depreciation, fair value movement in biological assets, amortisation and adjusting items), representing an increase of £0.6m versus prior period. Operating loss was £3.8m (51 week period ended 26 March 2022: loss of £8.6m). Net assets at 25 March 2023 were £132.5m (26 March 2022: £138.4m).

Future developments

Karro Food Limited is part of Sofina Foods Inc. one of the largest food manufacturing producers in Canada. Globally the Sofina Foods Inc. group operates 44 sites and has over 13,000 employees. The Sofina Foods Inc. vision is to be one of the most successful food companies in the world. Karro Food Limited has a key role to play in this vision by supplying pork products through the channels of UK and EU grocery retail, food service and other UK and EU global food producers, to its customers.

Inflation has been impossible to avoid and has had an impact on most areas of the Group. Input costs such as raw materials, feed and transport have all seen substantial increases due to inflation. The Company has successfully been able to pass much of this impact onto its customers, albeit with delays in pass-through and will continue to proactively engage with customers to manage inflation recovery. The Director has considered inflation when assessing going concern, asset impairments and debt covenant adherence, but the assessment does not indicate that inflation would have a significant impact on these areas.

The conflict in Ukraine has increased geopolitical uncertainty. While the Company has no direct trading links to Russia, the conflict has created challenges for many companies in a global economic environment recovering from the impacts of the COVID 19 pandemic. The Company's indirect exposure is expected to be in price rises and volatility in commodity markets, particularly energy and agricultural products. The Director continues to monitor cost inflation and volatility of supply. The Company is engaging with both customers and suppliers and will continue to monitor the risks associated with this area. The Director will continue to monitor and adhere to the impact of economic sanction law and regulation.

Karro Food Limited

Strategic report

Company performance highlights

The performance and strategic headlines for the Company were:

- EBITDA of £8.9m and EBITDA margin (EBITDA as a percentage of revenue) of 1.1% (51 week period ended 26 March 2022: £8.3m, 1.2%). The 52 week period ending 25 March 2023 has continued to see significant cost inflation in direct materials, utilities, indirect materials and labour. Despite this challenging environment the Company is a sustainable player in the market delivering proactive management of inflation recovery and labour availability in competitive markets. The Company benefits from strong customer relationships.
- Revenue of £796.8m (51 week period ended 26 March 2022: £672.8m).
- Further developing long term partnerships with its customer base, built through a competitive offering of quality products and good customer service across multiple categories.
- Continued focus on operational improvement by incorporating best practice from the Sofina Inc. ways of working and leveraging significant investment in Karro Food Limited to drive increased capacity, throughput and efficiencies, adding value to both the Company and its customers.
- Loss for the financial period of £6.0m (51 week period ended 26 March 2022: loss of £4.6m) includes £11.2m charge for depreciation and other amounts written off tangible fixed assets (51 week period ended 26 March 2022: £15.2m), £1.5m charge for reorganisation costs (51 week period ended 26 March 2022: £1.7m) and £5.1m charge for net finance expenses (51 week period ended 26 March 2022: £3.0m credit).

Karro Food Limited is preparing for significant further growth in the years to come under the ownership of Sofina.

Research and development

The Company continues to invest in product innovation and process development to deliver value to consumers and maintain leading positions in key markets.

Key performance indicators

The Director of Karro Food Limited monitors and assesses on a regular basis the key performance indicators of the business. The following KPIs are monitored closely:

- The Company monitors health & safety KPIs to ensure everything is done to provide the best possible environment for its employees and all legal requirements and processes are adhered to.
- The Company monitors technical performance to ensure all its factories operate at the highest level of compliance and integrity.
- The Company monitors cash flow related KPIs.
- The Company monitors environmental KPI's to ensure environmental performance and efficiency improvements can be implemented where possible.
- The Company monitors performance related KPI's, including turnover and EBITDA.
- The Company monitors performance relative to its banking covenants.
- The Company monitors operational efficiency through factory specific indicators to improve operational performance.
- The Company monitors raw material costs and the pricing to customers to manage the margin in the business.
- The Company monitors commercial KPIs (e.g. service level and quality scores) as part of our key customer Joint Business Plans.

Karro Food Limited

Strategic report

Principal risks and uncertainties

The Director carried out an assessment of the risks facing Karro Food Limited ('the Company') and considers the following ten risks as those which could most significantly impact the Company's activities:

1. **Price and availability of raw materials, energy, ingredients, packaging, materials and freight** – The Company is vulnerable to variations in the availability and pricing of; raw materials, energy, ingredients, packaging and freight, all of which could adversely impact on the Company's ability to supply its customers and its profitability. To manage the risk associated with:
 - Pig meat: A significant proportion of the Company's pork supplies are produced by the Company's own farms or by suppliers with whom long term strategic partnerships are in place;
 - Pig feed: In order to protect the business from major fluctuations in feed prices, the Company typically covers a proportion of risk through forward feed contracts. The Company also has long standing relationships with its suppliers and can mitigate supply risk by the use of alternative feed products;
 - Energy: The Company seeks to cover a proportion of its gas and electricity requirements in advance.
 - Ingredients, packaging and freight: Where possible, the ability to fix prices in the short to medium term is generally utilised at key times in the year. The Company has long standing relationships with its suppliers and can mitigate supply risk on packaging and ingredients by the use of alternative products. The Company has relationships with a number of freight suppliers in order to maintain logistics capability.

A significant proportion of the Company's business is also agreed in multi-period contracts that operate on flexible pricing models.
2. **Labour availability and cost** – The Company is reliant on recruiting and retaining sufficient skilled labour, to maintain production and financial profitability, and competes with other manufacturers for this resource. To help manage these risks the Company actively reviews its recruitment policies and relationships with third party agencies on a regular basis, is proactive in its engagement with current employees to encourage retention, engages with workers unions and invests and implements efficiency and continuous improvement activities to mitigate this risk where possible.
3. **Reliance on major customers** – Some key customers represent a relatively material part of the Company's business, and therefore the loss or partial loss of some key customers could represent a risk to the business. The Company has long-standing relationships with these customers with many elements of the business operating under multi-period contracts. The Company operates a diluted customer base across UK and European pork and is focussed on the development of new strategic relationships. The Company works with all its retail and export customers to ensure regulatory compliance, combined with the highest levels of product quality and service standards.
4. **Consumer demand** – Demand for the Company's products can be influenced by a number of factors; including seasonality, lifestyle trends, food scares, customer loyalty, brand image, reputation of the Company, its customers and suppliers, and the health of the wider economy. To help manage these risks the Company has focused on the production of consumer staples across a range of price points. Additionally, the Company works with its key customers to monitor and develop new products to meet changes in consumer demand, employs highly trained and competent technical teams and invests in staff training.
5. **Competitive industry** – The pork industry is highly competitive, primarily on the basis of quality, innovation, delivery and price and some of the Company's competitors could use their resources to negatively impact the Company's ability to compete. The Company has long standing relationships with its customers and works with all retail and export customers to ensure the highest levels of product quality and service standards. A significant proportion of the Company's business is also agreed on multi-period contracts that operate on flexible pricing models.

Karro Food Limited

Strategic report

Principal risks and uncertainties (continued)

6. **Bio-security and food safety** – Contamination within the supply chain, outbreaks of disease and feed contaminants affecting pigs, as well as public concerns (whether real or perceived) relating to these occurrences could impact the Company's operations and sales. The Company sources raw materials from trusted suppliers who adhere to stringent national and international regulatory requirements. The Company maintains systems designed to control food safety and sourcing risks and promotes full traceability and welfare standards throughout its supply chain. The Company is also subject to inspection by food safety and other authorities, as well as independent bodies, for compliance with applicable food laws and standards. In respect of pig production, the location of the Company's farming operations significantly reduces the risk of diseases, bio-security breaches or over reliance on specific locations, these farms have a world class reputation for animal health.
7. **Interest rate, currency, liquidity and credit risk** – The Company's primary sources of liquidity are the cash flows generated from its operations, along with bank and debt instruments that carry variable rates of interest and is exposed to fluctuations in foreign currency (for certain aspects of the Company's activities) and credit risk on receivables due from the Company's customers.

The appropriateness of the Company's bank and debt instruments and the risks related to variable rate debt are periodically reviewed by management and Sofina. The Company and Sofina have sufficient credit facilities in place and liquidity and covenant headroom is monitored and forecasted on a regular basis to ensure appropriate headroom is maintained. Credit checks are performed on all new customers and payments are constantly checked against contractual terms, additionally the Company has sufficient credit insurance in place. To mitigate against those risks associated with foreign currency the Company uses hedging arrangements. The degree to which the Company hedges its exchange rate exposures and the structure of its hedging arrangements are driven by the nature, size and certainty of the Company's exposure.

Inflation has been impossible to avoid and has had an impact on most areas of the Group. Input costs such as raw materials, feed and transport have all seen substantial increases due to inflation. The Company has successfully been able to pass much of this impact onto its customers, albeit with delays in pass-through and will continue to pro-actively engage with customers to manage inflation recovery. The Director has considered inflation when assessing going concern, asset impairments and debt covenant adherence, but considers none to be at risk.

8. **Legal and regulatory compliance** – The Company is subject to increasingly stringent health, safety, environmental, animal welfare and food safety regulations. The Company is also required to maintain various licences and permits to operate its business in accordance with the laws and regulations of the countries in which it operates. Failure to comply with any regulation, licence or permit could lead to; an interruption to the Company's activities, reputational damage, increased costs and/or financial penalties. To help manage these risks the Company has robust processes and policies in place to ensure compliance with all relevant standards.
9. **Business interruption** – Supply chain disruption, breakdown or failure of production equipment, significant incidents such as fire or flood which could mean the closure or partial closure of an individual site, or the interruption of key utilities could impact the Company's production continuity. To help mitigate these risks, the Company has robust monitoring and controls in place across all its sites and in the event of an incident the Company has business continuity protocols in place. The Company has insurances in place to help mitigate any financial loss.

Karro Food Limited

Strategic report

Principal risks and uncertainties (continued)

- 10. Information technology security** – Like most businesses the Company's performance depends upon accurate, timely information and numerical data from key software applications to aid business and day-to-day decision-making processes, and maintain communication between sites. The Company has a robust IT control framework in place, which includes formalised cyber risk management policies. The IT control framework in place is regularly reviewed by the Group's IT specialists to ensure that it remains fit for purpose.

In addition to the principal risks and uncertainties that could threaten the business model and future financial performance, the Director identified the following areas of focus:

- 1. Conflict in Ukraine** - The conflict in Ukraine has increased geopolitical uncertainty. While the Company has no direct trading links to Russia, the conflict has created challenges for many companies in a global economic environment recovering from the impacts of the COVID 19 pandemic. The Company's indirect exposure has been in price rises and volatility in commodity markets, particularly energy and agricultural products. The Director continues to monitor cost inflation and volatility of supply. The Company is engaging with both customers and suppliers and will continue to monitor the risks associated with this area. The Director will continue to monitor and adhere to the impact of economic sanction law and regulation.

Corporate governance and Directors' performance of duty

Karro Food Limited is part of a wider Group of companies that is owned by Canadian parent company Sofina Inc ("Sofina"), a leading multinational food manufacturing firm. Its ultimate beneficial owner is Mehrdad Michael Latifi.

Throughout the financial year, Sofina appointees maintained positions on the Board of Directors of the ultimate UK parent company, UK 111 Limited, and the Company has appointed senior managers from Sofina into active senior leadership roles within the Company, to ensure full visibility and accountability of the Karro Food Limited and Sofina Inc. Group Boards and to bring in challenge and perspective from outside the European Group. The Director and senior managers meet regularly to consider operational risks and mitigations and the approval of major projects, where such project is of a higher value or risk. The CFO of Karro Food Limited is responsible for safeguarding the integrity of internal controls and processes, having a significant role in supporting good governance and monitoring compliance with financial and governance controls, policies and procedures.

The Director of the Company considers that they have adhered to the requirements of section 172 of the Companies Act 2006 (the "Act"). The Director of Karro Food Limited has put in place the following measures to comply with their duties to have regard to the matters set out in Section 172 of the Companies Act 2006: They review progress regularly in order to promote the success of the business. The Director of Karro Food Limited also upholds a close relationship with financial stakeholders and has positive relationships with other stakeholders including employees, customers, consumers and suppliers.

Karro Food Limited is exempt from disclosing the streamlined energy and carbon reporting, due to this information being disclosed within the financial statements of the ultimate UK parent company, UK 111 Limited.

The Director of Karro Food Limited recognises the value and importance of trade unions and ensures there are continuous positive and regular engagements between the Company and the trade unions. The trade unions represent and advance the interests of factory workers, who make up the majority of the workforce, and encourage dialogue and feedback from all workers for example through intranets, employee surveys and the use of employee forums. The Director of Karro Food Limited also ensures an independent whistleblowing scheme is in place and available.

Karro Food Limited

Strategic report

Corporate governance and Directors' performance of duty (continued)

The Director of Karro Food Limited is dedicated to upholding the human rights of all employees and all workers within its supply chain and to tackling all forms of hidden labour exploitation, including slavery and human trafficking. Karro Food Limited promotes awareness of modern slavery and encourages a culture of continued monitoring and improvement of working practices in the supply chain. The Director of Karro Food Limited ensured procedures are in place to help identify and eradicate unethical practices within the business and to reduce risks of unfair working practices in the supply chain.

As Karro Food Limited is a food producer, traceability of the supply chain, food safety and animal welfare are of the utmost importance to the Director. This is a tightly regulated industry with Food Standards Agency enforcement staff working at key production sites to monitor compliance.

Karro Food Limited implements the principles of the Ethical Trading Initiative Base Code, an internationally recognised code of labour practice and is committed to monitoring standards in the supply chain. The Ethical Trading Policy is regularly reviewed to ensure that Karro Food Limited is acting in an ethical manner.

Karro Food Limited and its Director are committed to having a positive impact on the community and the environment by taking appropriate account of the ethical and social components of its business and recognise that this is a key part of Karro Food Limited's overall commercial success.

Karro Food Limited is a member of several accreditation and certification schemes relating to good practice, high standards and animal welfare including the Red Tractor scheme; British Retail Consortium BRCGS Standard; British Quality Assured Pork Scheme; and RSPCA Freedom Food welfare certified. Some facilities are also USDA approved (direct approval by US Government for export), and PRC approved (direct approval by Chinese Government for export). The membership of these schemes and accreditations are instrumental in helping to strengthen Karro Food Limited's ongoing commitment to producing high quality products that adhere to the highest animal welfare standards.

Karro Food Limited is an approved supplier to many large UK food retailers who impose strict standards in relation to all aspects of operation against which Karro Food Limited is strictly audited on an ongoing basis. The Director of Karro Food Limited is committed to providing the same high standards of governance across the Company as the business continues to grow.

The Director of Karro Food Limited remains committed to continuing to follow good corporate governance to create a future of responsible long-term growth of the business.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review above. The Director has considered the forecasts for the Company, taking into account the risks and uncertainties recognised by the Company and the possible changes (within reason) in trading performance, for a period of at least twelve months from the date of this report.

Karro Food Limited is part of the UK 111 Limited group of companies. The UK 111 Limited Group is part of a group headed up by Sofina Inc. and a letter of support has been provided by Sofina Inc. The financial support will be provided as is needed to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

The Director recognises that the Company made a loss after taxation in the current period and a loss after taxation in the prior period, and that the UK 111 Limited Group has made a loss after taxation in the current period, and have given consideration to this. The UK 111 Limited Group has positive cashflows in the current period.

Karro Food Limited

Strategic report

Going concern (continued)

Based on a number of factors including the letter of support from Sofina Inc., business plans, forecasts, market data and the Director's assumptions in respect of growth in operating profit, timing and quantum of future expenditure and long-term growth rates, future cashflows have been assessed as positive. This assessment was informed by consideration of various sensitivity analysis including severe but plausible downside scenario planning and the impact such circumstances may have on Sofina's liquidity, headroom, banking and factoring covenants.

Specific consideration was given to the balance sheet and borrowing facilities of the Company, the UK 111 Limited Group and Sofina.

The banking covenant applicable to the UK 111 Limited Group's borrowing arrangements is the ratio of consolidated senior secured net debt to the last twelve months' cumulative consolidated pro forma EBITDA (LTM pro forma EBITDA). *Pro forma EBITDA* is the EBITDA of the business including permissible adjustments as specified in the facilities agreement. On the last business day of each month headroom on the asset backed lending facility is required to be no less than £7.5m. The UK 111 Limited Group has complied with its banking covenant throughout the period ended 25 March 2023 and is forecast to be compliant against the banking covenant for the going concern period under review.

There is one covenant applicable to the UK 111 Limited Group's €40.0m factoring agreement, which is economic equity as a proportion of total assets. Economic equity is shareholders' funds adjusted as specified in the factoring arrangement and calculated with reference to the balance sheet of Greenland Seafood Wilhelmshaven GmbH. The UK 111 Limited Group has complied with its covenant throughout the period ended 25 March 2023 and is forecast to be compliant with significant headroom vs. the factoring covenant for the going concern period under review.

A number of the UK 111 Limited Group companies are Obligors to a borrowing arrangement of Sofina Foods Inc. The covenants are the ratio of net funded debt as defined in the credit agreement, to EBITDA and a fixed charge covenant ratio, as defined in the credit agreement. Sofina is forecast to be compliant with headroom vs. the banking covenant for the going concern period under review.

Specific consideration has also been given by the Company, UK 111 Limited Group and Sofina to their principal risks and uncertainties. The Company, UK 111 Limited Group and Sofina's principal risks and uncertainties are ongoing in nature and theoretically could materialise at any time. The Board of Directors of the UK 111 Limited Group and Sofina have put processes and procedures in place to monitor, assess and address risks associated with their principal risks and uncertainties. These processes and procedures also include the impact of inflation and the impact of a wider economic downturn on the Company, UK 111 Limited Group, Sofina, and their stakeholders.

The UK 111 Limited Group has a key role to play in supplying pork and seafood products through the channels of UK and EU grocery retail, food service industries and other UK and EU global food producers. The Director continues to monitor Government economic sanctions as a result of the conflict in Ukraine to ensure the Company's compliance with updated guidelines and legislation.

Whilst budgets and forward forecasts remain the Director's best estimate of the future prospects of the Company, the UK 111 Limited Group and Sofina have also assessed the financial impact of a number of alternative, severe downside scenarios. Downside scenarios considered and modelled included both reduced and changing demand from the Company, UK 111 Limited Group and Sofina's end markets, supply disruption, supply inflation and factory shut down. These scenarios were hypothetical and designed to test the ability of the Company, UK 111 Limited Group and Sofina to continue as a going concern under these outcomes.

Karro Food Limited

Strategic report

Going concern (continued)

Downside scenario testing took account of mitigating actions available to the Company, UK 111 Limited Group and Sofina to respond to the risk being considered including working with suppliers and the use of alternative customer segments in response to changing demand in the Company, UK 111 Limited Group and Sofina's end markets.

The Director and Sofina have diligence processes in place to review the impact of acquisitions on liquidity and banking covenants prior to approving any such investment.

The results of all scenarios modelled at the Company, UK 111 Limited Group and wider Sofina Group level showed that the Sofina Group, would be able to absorb the impacts of downside scenarios during the going concern assessment period while maintaining significant headroom against its banking covenants and its overall liquidity. The UK 111 Limited Group, with the letter of support from Sofina Inc. would be able to absorb the impacts of downside scenarios during the going concern assessment period while maintaining significant headroom against its banking covenants and its overall liquidity.

Having reviewed all of the above, the Director believes that the Company has adequate resources to continue in operational existence for the foreseeable future and thus have adopted the going concern basis in preparing the Company's financial statements.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A Rutherford', with a stylized, cursive script.

A Rutherford

Date: 31 August 2023

Karro Food Limited

Directors' report

The Director presents the annual report and the audited financial statements for the period ended 25 March 2023.

Directors

The Directors who held office during the period and up until the date of signing the financial statements, unless otherwise stated, were as follows:

A Rutherford
S Smith (resigned 18 July 2022)
S Ellis (resigned 18 July 2022)

Dividends

No dividends have been paid or proposed during the 52 week period ended 25 March 2023 (51 week period ended 26 March 2022: £Nil).

Political donations

The Company made no political donations during the 52 week period ended 25 March 2023 (51 week period ended 26 March 2022: £Nil).

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

The Company employs disabled persons and makes all appropriate reasonable adjustments to ensure there is not a disadvantage to this person in being able to seek or maintain a role and further their career within our business. Disabled persons share the same opportunities for training as non-disabled employees.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Further information can be found in the 'Corporate Governance and Directors' Performance of Duty' statement on pages 6-7.

Directors' qualifying third party indemnity provisions

As permitted by the Articles of Association, the Director has the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and remains in force at the date of approval of the financial statements. The Company has purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Director.

Financial risk management

The Sofina Group and UK 111 Limited Group Corporate Treasury functions provide services to the Company, co-ordinate access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. Exposure limits are reviewed on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Karro Food Limited

Directors' report

Financial risk management (continued)

Descriptions of the Company's use of financial instruments and exposure to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk, can be found in note 24 to these financial statements.

Going concern

See Strategic Report on pages 2-9.

Future developments

There are no material post balance sheet events to report.

Disclosure of information to the Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

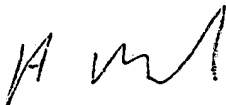
- so far as the Director is aware, there is no relevant audit information of which the auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP were re-appointed as independent auditors for the period ended 25 March 2023. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as independent auditors of the Company. A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's independent auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Director



A Rutherford

Date: 31 August 2023

Karro Food Limited

Directors' responsibilities statement

The director is responsible for preparing the Annual Report and Financial Statements and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, a director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is also 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.

Independent auditor's report to the Members of Karro Food Limited

Report on the audit of the financial statements

Opinion

In our opinion, Karro Food Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 25 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: statement of financial position as at 25 March 2023; income statement, statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditor's report to the Members of Karro Food Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 25 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, employment regulation, health and safety legislation and other food safety legislation specific to the industry and jurisdiction in which the entity operates in, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Independent auditor's report to the Members of Karro Food Limited

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

- discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiry of staff within the tax function of the entity to identify any instances of non-compliance with local tax laws and regulations;
- review of board minutes to identify any reported instances of non-compliance with laws or regulations and fraud;
- testing of material judgements and estimates to identify any indication of error or management bias;
- identifying and testing unusual journal entries; and
- testing over period end adjustments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Hall

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
31 August 2023

Karro Food Limited

Income Statement

For the 52 week period ended 25 March 2023

		52 week period ended 25 March 2023	51 week period ended 26 March 2022
	Note	£'m	£'m
Continuing operations			
Revenue	4	796.8	672.8
Change in inventories of finished goods and goods for resale		(10.4)	11.2
Raw materials and consumables	7	(535.5)	(440.8)
Staff costs	5	(109.3)	(115.2)
Operating charges		(132.7)	(119.7)
Earnings before interest, tax, depreciation, amortisation and adjusted items (EBITDA)		8.9	8.3
Depreciation and other amounts written off for tangible and intangible fixed assets	7	(11.2)	(15.2)
Operating loss before adjusted items		(2.3)	(6.9)
Adjusted items	6	(1.5)	(1.7)
Operating loss	7	(3.8)	(8.6)
Net finance (expense)/income	8	(5.1)	3.0
Loss before taxation		(8.9)	(5.6)
Income tax credit	9	2.9	1.0
Loss after taxation		(6.0)	(4.6)

The notes on pages 19 to 53 form an integral part of these financial statements.

Statement of Comprehensive Income

		52 week period ended 25 March 2023	51 week period ended 26 March 2022
		£'m	£'m
Loss for the financial period		(6.0)	(4.6)
Revaluation of freehold land and buildings	11	-	2.4
Deferred tax relating to items of other comprehensive income	23	0.1	(2.3)
Total other comprehensive income		0.1	0.1
Total comprehensive expense for the period		(5.9)	(4.5)

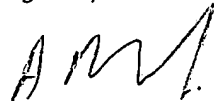
Karro Food Limited

**Statement of Financial Position
As at 25 March 2023**

		25 March 2023	26 March 2022
	Note	£'m	£'m
Non-current assets			
Intangible assets	10	0.1	0.1
Property, plant and equipment	11	86.7	93.8
Right-of-use assets	12	9.1	8.4
Biological assets	13	10.0	6.3
Deferred tax asset	23	8.7	4.9
		114.6	113.5
Current assets			
Biological inventory	13	19.7	13.5
Inventory	14	37.7	47.5
Trade and other receivables	15	120.0	96.8
Cash and cash equivalents	16	6.6	4.7
Derivative financial instruments	24	-	4.4
		184.0	166.9
Current liabilities			
Trade and other payables	17	(148.5)	(113.6)
Lease liabilities	12	(1.9)	(1.9)
Loans and borrowings	20	-	(13.4)
		(150.4)	(128.9)
Non-current liabilities			
Trade and other payables	18	(0.3)	(0.7)
Lease liabilities	12	(3.5)	(2.8)
Loans and borrowings	20	(1.6)	-
Deferred tax liability	23	(10.3)	(9.6)
		132.5	138.4
Net assets			
Equity			
Called up share capital	21	1.9	1.9
Revaluation reserve	26	22.9	22.9
Retained earnings	26	107.7	113.6
Total equity		132.5	138.4

The financial statements of Karro Food Limited, (Company number SC220000), were approved by the Director and authorised for issue on 31 August 2023. The notes on pages 19 to 53 are an integral part of these financial statements.

Signed by the Director



A Rutherford

Karro Food Limited

**Statement of Changes in Equity
For the 52 week period ended 25 March 2023**

	Called up share capital £'m	Revaluation reserve £'m	Profit and loss account £'m	Total £'m
Balance at 03 April 2021	188.7	23.0	(70.3)	141.4
Loss for the period	-	-	(4.6)	(4.6)
Other comprehensive income	-	0.1	-	0.1
Issue of share capital	1.5	-	-	1.5
Share capital reduction	(188.3)	-	188.3	-
Reserves transfer	-	(0.2)	0.2	-
Balance at 26 March 2022	1.9	22.9	113.6	138.4
Loss for the period	-	-	(6.0)	(6.0)
Other comprehensive income	-	-	0.1	0.1
Balance at 25 March 2023	1.9	22.9	107.7	132.5

Karro Food Limited

Notes to the financial statements

For the 52 week period ended 25 March 2023

1. General information

Karro Food Limited (the Company) is a private company limited by shares incorporated in England and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 9.

All financial information is rounded to the nearest 0.1 million (£'m) except where otherwise indicated.

2. Basis of preparation and significant accounting policies

Statement of compliance

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 01 January 2017, and with the requirements of the Companies Act 2006.

These financial statements are separate financial statements. The Company is included in the Group financial statements of UK 111 Limited. The Group financial statements of UK 111 Limited are available to the public and can be obtained as set out in note 27.

Basis of accounting

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on a going concern basis under the historical cost basis except for the revaluation of certain land and buildings, biological assets and financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are presented in pounds sterling because the Company operates predominantly in the United Kingdom. The Company has presented a financial reporting period ending on the Saturday nearest to the accounting reference date, given that the financial period may begin or end on dates which are not more than seven days before or after the accounting reference date. As such the 2022 financial reporting period is 51 week period ended 26 March 2022 and the 2023 financial reporting period is the 52 week period ended 25 March 2023. The Statements of Financial Position have been prepared to these dates accordingly.

The principal accounting policies have been applied consistently, other than where new policies have been adopted, and are set out below.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review above. The Director has considered the forecasts for the Company, taking into account the risks and uncertainties recognised by the Company and the possible changes (within reason) in trading performance, for a period of at least twelve months from the date of this report.

Karro Food Limited

Notes to the financial statements

For the 52 week period ended 25 March 2023

2. Basis of preparation and significant accounting policies (continued)

Going concern (continued)

Karro Food Limited is part of the UK 111 Limited group of companies. The UK 111 Limited Group is part of a group headed up by Sofina Inc. and a letter of support has been provided by Sofina Inc. The financial support will be provided as is needed to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements.

The Director recognises that the Company made a loss after taxation in the current period and a profit after taxation in the prior period, and that the UK 111 Limited Group has made a loss after taxation in the current period, and have given consideration to this. The Group has positive cashflows in the current period.

Based on a number of factors including the letter of support from Sofina Inc., business plans, forecasts, market data and the Director's assumptions in respect of growth in operating profit, timing and quantum of future expenditure and long-term growth rates, future cashflows have been assessed as positive. This assessment was informed by consideration of various sensitivity analysis including severe but plausible downside scenario planning and the impact such circumstances may have on the Sofina's funding, headroom and banking covenants.

Specific consideration was given to the balance sheet and borrowing facilities of the Company, the UK 111 Limited Group and Sofina.

The banking covenant applicable to the UK 111 Limited Group's borrowing arrangements is the ratio of consolidated senior secured net debt to the last twelve months' cumulative consolidated pro forma EBITDA (LTM pro forma EBITDA). Pro forma EBITDA is the EBITDA of the business including permissible adjustments as specified in the facilities agreement. On the last business day of each month headroom on the asset backed lending facility is required to be no less than £7.5m. The UK 111 Limited Group has complied with its banking covenant throughout the period ended 25 March 2023 and is forecast to be compliant against the banking covenant for the going concern period under review.

There is one covenant applicable to the UK 111 Limited Group's €40.0m factoring agreement, which is economic equity as a proportion of total assets. Economic equity is shareholders' funds adjusted as specified in the factoring arrangement and calculated with reference to the balance sheet of Greenland Seafood Wilhelmshaven GmbH. The UK 111 Limited Group has complied with its covenant throughout the period ended 25 March 2023 and is forecast to be compliant with significant headroom vs. the factoring covenant for the going concern period under review.

A number of the UK 111 Limited Group companies are Obligor to a borrowing arrangement of Sofina Foods Inc. The covenants are the ratio of net funded debt as defined in the credit agreement, to EBITDA and a fixed charge covenant ratio, as defined in the credit agreement. Sofina is forecast to be compliant with headroom vs. the banking covenant for the going concern period under review.

Specific consideration has also been given by the Company, UK 111 Limited Group and Sofina to their principal risks and uncertainties. The Company, UK 111 Limited Group and Sofina's principal risks and uncertainties are ongoing in nature and theoretically could materialise at any time. The Board of Directors of the UK 111 Limited Group and Sofina have put processes and procedures in place to monitor, assess and address risks associated with their principal risks and uncertainties. These processes and procedures also include the impact of inflation and the impact of a wider economic downturn on the Company, UK 111 Limited Group, Sofina, and their stakeholders.

Karro Food Limited

Notes to the financial statements For the 52 week period ended 25 March 2023

2. Basis of preparation and significant accounting policies (continued)

Going concern (continued)

The UK 111 Limited Group has a key role to play in supplying pork and seafood products through the channels of UK and EU grocery retail, food service industries and other UK and EU global food producers. The Director continues to monitor Government economic sanctions as a result of the conflict in Ukraine to ensure the Company's compliance with updated guidelines and legislation.

Whilst budgets and forward forecasts remain the Director's best estimate of the future prospects of the Company, the UK 111 Limited Group and Sofina have also assessed the financial impact of a number of alternative, severe downside scenarios. Downside scenarios considered and modelled included both reduced and changing demand from the Company, UK 111 Limited Group and Sofina's end markets, supply disruption, supply inflation and factory shut down. These scenarios were hypothetical and designed to test the ability of the Company, UK 111 Limited Group and Sofina to continue as a going concern under these outcomes.

Downside scenario testing took account of mitigating actions available to the Company, UK 111 Limited Group and Sofina to respond to the risk being considered including working with suppliers and the use of alternative customer segments in response to changing demand in the Company, UK 111 Limited Group and Sofina's end markets.

The Director and Sofina have diligence processes in place to review the impact of acquisitions on liquidity and banking covenants prior to approving any such investment.

The results of all scenarios modelled at the Company, UK 111 Limited Group and wider Sofina Group level showed that the Sofina Group, would be able to absorb the impacts of downside scenarios during the going concern assessment period while maintaining significant headroom against its banking covenants and its overall liquidity. The UK 111 Limited Group, with the letter of support from Sofina Inc. would be able to absorb the impacts of downside scenarios during the going concern assessment period while maintaining significant headroom against its banking covenants and its overall liquidity.

Having reviewed all of the above, the Director believes that the Company has adequate resources to continue in operational existence for the foreseeable future and thus have adopted the going concern basis in preparing the Company's financial statements.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretations that are mandatorily effective for the current period

During the period the following new accounting policies were adopted, none of which have had a material impact on the financial statements:

<i>IAS 1</i>	<i>Disclosure of accounting policies</i>
<i>IAS 8</i>	<i>Definition of accounting estimates</i>
<i>IAS 12</i>	<i>Deferred tax relates to assets and liabilities arising from a single transaction</i>
<i>IFRS17</i>	<i>Initial application of IFRS 17 and IFRS 9 – comparative information</i>

Karro Food Limited

Notes to the financial statements

For the 52 week period ended 25 March 2023

2. Basis of preparation and significant accounting policies (continued)

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet endorsed by the UK Endorsement Board:

IAS 1 Classification of liabilities

The Director does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Goodwill

Goodwill on acquisition represents the excess of fair value of the consideration paid for a subsidiary, or business, over the fair value of its net assets at the date of acquisition. The Company reviews assets that have an indefinite useful life at least annually to assess whether their recoverable amount exceeds their carrying value. The recoverable amount is defined as the higher of fair value less disposal costs and value in use, which in turn is the present value of cash flows expected to be generated from the asset. Where carrying value exceeds recoverable amount, a provision for impairment is made with a corresponding charge in the income statement.

Revenue

Revenue represents sales to external customers from the provision of goods falling within the Company's ordinary activities. Revenues is measured at the fair value of the consideration received or receivable net of discounts, rebates, value added tax and other sales related taxes.

Rebates represent a form of variable consideration. The Company has rebates that are subject to customers achieving specified volumes which are set out in the contracts with customers. Management estimates the expected value of rebates earned by each customer by reference to the relevant contractual terms and sales volumes, using the following criteria:

- actual sales in the relevant period have exceeded the volume required for the customer to earn the rebate; or
- sales to the customer will, in all probability, exceed the requirement in the current rebate period based on performance.

In applying the above criteria Management only recognises revenue to the extent that it is highly probable that a significant reversal of the cumulative revenue recognised with each customer will not occur once there is certainty surrounding the value of rebates earned by the customer in a given period.

Revenue is recognised at a point in time, when the control of the goods has passed to the customer and the performance obligations under the contract have been satisfied. Control is assessed by reference to the following criteria:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- legal title to the goods has passed to the customer;

Karro Food Limited

Notes to the financial statements

For the 52 week period ended 25 March 2023

2. Basis of preparation and significant accounting policies (continued)

Revenue (continued)

- the goods have been physically transferred to the customer; and
- the Company has a right to receive payment for the goods.

In applying the criteria above, control is typically deemed to have passed to the customer, and therefore revenue is recognised, at the point at which the goods are either delivered to the customer's premises by the Company, or picked up by the customer from the Company's premises.

Adjusted EBITDA

The Chief Operating Decision Maker assesses the performance of the Company based on adjusted EBITDA which is defined as profit for the period from continuing operations before income taxes, finance expense, depreciation, amortisation and adjusted items which include exceptional items.

Adjusted EBITDA is considered to be a useful measure of performance to investors because it removes non-trading items that are not closely related to the Company's trading or operating cash flows and therefore the presentation of adjusted EBITDA enhances the understanding of the Company's performance.

In determining whether or not an item should be classified as an exceptional item and therefore an "adjusted item", management considers both quantitative as well as qualitative factors, including the frequency, nature and magnitude of the event. Adjusted items include items such as impairment of assets outside of the normal course of business activities, costs associated with the impact of any catastrophic events for which the Company is not insured, costs directly relating to fundamental restructuring activities of the entity and reversals of any provisions for the costs of restructuring; material litigation settlements and provisions and costs directly associated with acquisitions, including the subsequent integration of acquisitions, or aborted acquisitions.

Leases

The Company assesses at transition or contract inception whether a contract is, or contains, a lease. A contract is or contains a lease arrangement where the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets where advantage is taken of the provisions in IFRS 16 to continue to account for these arrangements in accordance with IAS 17 (i.e. to expense rental costs systematically over the life of the arrangement, and not to recognise a lease obligation or right of use asset in the statement of financial position). For all other lease arrangements, the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

2. Basis of preparation and significant accounting policies (continued)

Leases (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Land	Not depreciated
• Buildings	2 to 30 years
• Plant and machinery	2 to 10 years
• Motor vehicles and other equipment	2 to 4 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in obligations under lease arrangements (see note 12).

iii. Short-term leases and low value assets

The Company applies the short-term lease recognition exemption to its short-term leases of land and buildings (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies to the lease of low-value assets recognition exemption to leases of plant and equipment that are considered to be low value (under £3,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term, and no lease liability or right of use asset is recognised in the statement of financial position.

Karro Food Limited

Notes to the financial statements For the 52 week period ended 25 March 2023

2. Basis of preparation and significant accounting policies (continued)

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. *Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.* Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to reduce certain foreign currency risks (see below under financial instruments).

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire fixed assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are presented as a credit in the income statement within 'operating charges'.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

2. Basis of preparation and significant accounting policies (continued)

Taxation

Current tax

The income tax charge or credit is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to reflect the best estimate of future taxable profits that will be available to support the recovery of the associated deferred tax assets.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. The Companies may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Expenditure Credit (RDEC) or other investment allowances), the Company accounts for such RDEC credits in the income statement within operating costs.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

2. Basis of preparation and significant accounting policies (continued)

Property, plant and equipment

Land and buildings held for use in the production of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed every three years by a professionally qualified valuation expert, and consideration is given in the intervening periods as to whether or not there are any factors that would indicate a material change in the fair value such that a further valuation is required.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property's revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or scrapping of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Other fixed assets are stated at historic cost less accumulated depreciation and impairment. Cost includes all directly related costs incurred in bringing an asset into use, including borrowing costs attributable to the construction of a qualifying assets during the period of time that is required to complete and prepare the asset for its intended use.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

- Land and buildings 2% - 20%
- Plant and machinery 3% - 33%
- Motor vehicles 7% - 33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2. Basis of preparation and significant accounting policies (continued)

Inventories

Inventory is stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where net realisable value is lower than cost a provision is made for the difference. Movements in the inventory provision in the period are charged or credited to the income statement.

Biological Assets

Biological assets are held at fair value less cost to sell. The fair value of the biological assets is measured in accordance with level 2 of the fair value hierarchy and is assessed annually and external providers are used to obtain the appropriate valuation, see note 24 for more details. The breeding herd are categorised as non-current assets and those that will be used in production within the next twelve months are categorised as current assets

Financial instruments: initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are initially recognised at fair value, with the exception of trade receivables and animal feed contracts that do not contain a significant financing component or for which the Group has applied the practical expedient. Trade receivables are measured at the transaction price determined under IFRS 15. Animal feed contracts are measured at historic cost, which is a change from prior year due to availability of accurate fair value data. In the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs are also included in the fair value at initial recognition. Transaction cost of financial assets held at FVTPL are expensed in the income statement in the period in which they occur.

The subsequent measurement of financial assets depends on the contractual cash flow characteristics and the Company's business model for managing the assets. There are two measurement categories into which the Company classifies its financial assets:

Amortised Cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

FVTPL

All other financial assets are held at FVTPL. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Notes to the financial statements
For the 52 week period ended 25 March 2023

2. Basis of preparation and significant accounting policies (continued)

Financial instruments: initial recognition and subsequent measurement (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host (for example, a government loan at below market rate), is separated from the host and accounted for as a separate derivative if; the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.

The financial asset host together with the embedded derivatives is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the consolidated statement of financial position) when:

- The right to receive cash flows from the asset have expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under 'pass-through' arrangements; and neither (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses (ECLs) associated with its financial assets carried at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Such allowances are measured as either 12-months ECL or lifetime ECL depending on the changes in the credit quality of the counterparty.

2. Basis of preparation and significant accounting policies (continued)

Financial instruments: initial recognition and subsequent measurement (continued)

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs as permitted by FRS 101. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowing and payables, net of directly attributable transaction costs.

Financial instruments: initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL), or amortised cost. The subsequent measurement of financial liabilities depends on their classification.

Subsequent measurement

The subsequent measurement of financial liabilities is described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company, for example forward foreign exchange contracts, that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities at amortised cost

Financial liabilities designated as at amortised cost upon initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

2. Basis of preparation and significant accounting policies (continued)

Financial instruments: initial recognition and subsequent measurement (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value hierarchy

The Company uses the hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Equity instruments

Equity instruments such as ordinary share capital issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs. Proceeds are allocated between nominal value and share premium.

Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Cash at bank and in hand

Cash and cash equivalents comprise cash in hand, deposits held at call with banks with maturities of three months or less and bank overdrafts to the extent that there is a legal right of offset or practice of net settlement with cash balances. Overdrafts are shown within trade and other payables in current liabilities on the balance sheet to the extent that there is no legal right of offset or no practice of net settlement with cash balances.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

3. Significant accounting judgements, estimates and assumptions

The preparation of Company financial statements under FRS 101 requires the Company's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

There were no significant accounting estimates in the financial period.

Key judgements that have a material impact on the financial statements are as follows:

Adjusted items

Management apply judgement to identify material adjusted items which are excluded from the key performance measure adjusted EBITDA. The Director believes that the exclusion of adjusting items enables the user of the financial statements to better understand the underlying performance of the Company. Further information on the Company's accounting policy for adjusted items is provided in note 2.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

4. Revenue

An analysis of the Company's revenue is as follows:

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Sale of goods		
Continued operations	<u>796.8</u>	<u>672.8</u>

The revenue and results are attributable mainly to the slaughter of livestock and subsequent processing and retail packaging of pork and pork wholesaling.

The above revenues are all generated from contracts with customers and are recognised at a point in time.

An analysis of the Company's revenue by geographical market is set out below:

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Revenue:		
United Kingdom	635.3	521.8
Rest of Europe	94.5	85.1
Rest of World	67.0	65.9
	<u>796.8</u>	<u>672.8</u>

The Company has two (51 week period ended 26 March 2022: two) customers which individually account for more than 10 percent of the Company's total revenue. These customers accounted for 15.53% and 12.33% (51 week period ended 26 March 2022: 14.8% and 10.5%).

All assets of the Company reside in the UK.

Karro Food Limited**Notes to the financial statements
For the 52 week period ended 25 March 2023****5. Information regarding Directors and employees**

The Company considers Directors to be the key management personnel.

The remuneration of the key management personnel incurred by other operating Group companies is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

The aggregate emoluments of the Directors borne by the Company and other group companies were:

	52 week period ended 25 March 2023	51 week period ended 26 March 2022
	£'m	£'m
Directors' emoluments	1.4	1.8
	1.4	1.8

The highest paid Director received emoluments of £0.6m (51 week period ended 26 March 2022: £0.5m) and pension contributions of £nil (51 week period ended 26 March 2022: £nil). There were three (51 week period ended 26 March 2022: three) Directors in the Group defined contribution pension scheme during the period.

The average monthly number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	52 week period ended 25 March 2023 No.	51 week period ended 26 March 2022 No.
Management and administration	319	281
Sales and distribution	159	101
Production	2,229	3,017
	2,707	3,399

The aggregate payroll costs of these persons were as follows:

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Wages and salaries	97.4	103.5
Social security costs	9.9	9.6
Other pension costs	2.0	2.1
	109.3	115.2

At the period end there was an accrual of £0.4m (26 March 2022: £0.4m) in relation to pension contributions.

Karro Food Limited

Notes to the financial statements
For the 52 week period ended 25 March 2023

6. Adjusted items

Adjusted items above operating (loss)/profit

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Reorganisation costs	1.5	1.7
	<u>1.5</u>	<u>1.7</u>

The Director monitors the performance of the business through certain alternative performance measures including Adjusted Operating Profit which is operating profit stated before certain one off, non-cash or fair value accounting driven transactions that are not directly connected to the underlying operating profit of the business.

In the current period these included the reorganisation costs of £1.5m (51 week period ended 26 March 2022: £1.7m) representing costs associated with the restructuring of the Company to align with the operational requirements of Sofina Foods Inc.

7. Loss before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Depreciation of owned property plant and equipment (note 11)	10.4	10.3
Depreciation of right of use assets (note 12)	1.9	2.3
Impairment of fixed assets	-	0.2
Fair value (gain)/loss of biological non-current assets	(1.3)	2.4
Loss/(profit) on disposal of fixed assets	0.2	(0.1)
Loss on disposal of biological assets	-	0.1
Release of government grant (note 19)	-	-
Depreciation and other amounts written off tangible fixed assets	<u>11.2</u>	<u>15.2</u>
Inventories expensed through cost of sales	535.5	440.8
Short term leases	-	-
Adjusted items (note 6)	1.5	1.7
Aggregate amount spent on research and development	0.3	0.2
Foreign currency gain (note 8)	<u>(0.6)</u>	<u>-</u>

Fees payable for non-audit services were £nil (51 week period ended 26 March 2022: £nil).

The audit fee payable to PricewaterhouseCoopers LLP for the audit of the Company's financial statements was borne by another Group entity and no allocation of the fee is made between different companies within the UK 111 Limited group. Fees payable to PricewaterhouseCoopers LLP for the audit of the UK 111 Limited group of companies' annual financial statements was £1.1m (51 week period ended 26 March 2022: £1.2m).

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

8. Net finance expense/(income)

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Asset backed lending interest	0.6	0.2
Bank interest payable	0.5	0.3
Interest on lease liabilities	0.2	0.3
Loss on derivative financial instruments	4.4	-
Other interest	-	0.1
Finance expense	5.7	0.9
Gain on derivative financial instruments	-	(3.9)
Exchange rate gain	(0.6)	-
Finance income	(0.6)	(3.9)
Net finance expense/(income)	5.1	(3.0)

9. Income tax credit

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
<i>Current tax:</i>		
UK corporation tax on loss for the period	(0.7)	(0.3)
Adjustments in respect of prior periods	(0.2)	(0.7)
Current tax credit	(0.9)	(1.0)
<i>Deferred tax: (see note 23)</i>		
Current year	(1.4)	(0.8)
Adjustments in respect of prior periods	(0.6)	0.6
Impact of change in tax rates	-	0.2
Deferred tax credit	(2.0)	-
Income tax credit for the period	(2.9)	(1.0)

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

9. Income tax credit (continued)

The (credit)/charge for the period can be reconciled to the (loss)/profit in the income statement as follows:

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Loss before tax	<u>(8.9)</u>	<u>(5.6)</u>
Tax at the UK corporation tax rate of 19.0% (51 week period ended 26 March 2022: 19.0%)	(1.7)	(1.1)
Tax effect of expenses that are not deductible in determining taxable profit	0.1	0.1
Adjustment in respect of additional 30.0% super deduction	(0.2)	(0.1)
Difference in tax rates	(0.3)	0.2
Adjustments in respect of prior periods	(0.8)	(0.1)
Income tax credit for the period	<u>(2.9)</u>	<u>(1.0)</u>

Factors affecting current and future tax charges

Deferred tax has been measured using the enacted rate of UK corporation tax of 25.0% reflecting the increase in the statutory UK tax rate to 25.0% from 1 April 2023 (51 week period ended 26 March 2022: 25.0%).

There are no material uncertain tax provisions.

10. Intangible assets

Goodwill:

	£'m
Fair value as at 26 March 2022	0.1
Additions	-
Disposals	-
Fair value movement	-
Fair value as at 25 March 2023	<u>0.1</u>

Karro Food Limited

Notes to the financial statements
For the 52 week period ended 25 March 2023

11. Property, plant and equipment

	Land and buildings £'m	Plant and machinery £'m	Motor vehicles £'m	Assets under construction £'m	Total £'m
Cost or valuation					
As at 27 March 2022	80.7	135.9	0.3	0.4	217.3
Additions	0.2	2.0	-	1.1	3.3
Disposals	-	-	-	-	-
Reclassification	0.1	0.1	-	(0.2)	-
Revaluation	-	-	-	-	-
At 25 March 2023	81.0	138.0	0.3	1.3	220.6
Accumulated depreciation					
As at 27 March 2022	(34.6)	(88.8)	(0.1)	-	(123.5)
Charge in year	(1.5)	(8.8)	(0.1)	-	(10.4)
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
At 25 March 2023	(36.1)	(97.6)	(0.2)	-	(133.9)
Carrying value					
At 25 March 2023	44.9	40.4	0.1	1.3	86.7
At 26 March 2022	46.1	47.1	0.2	0.4	93.8

Freehold land and buildings contain £13.0m (26 March 2022: £13.0m) of freehold land which is not depreciated.

The freehold land and buildings as at 25 March 2023 are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The fair value measurements of the freehold land and buildings were performed in 2021 by Gerald Eve LLP, independent valuers not related to the Company. Gerald Eve LLP are members of the Institute of Valuers of RICS, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value freehold land and buildings was determined based on the Depreciated Replacement Cost approach. This method of property asset valuation commences with the valuer determining the cost to build the Modern Equivalent Asset (MEA) relative to the subject property under consideration as at the relevant date of valuation; with an addition made to reflect External Works e.g. car parking roads, services (gas, water, electricity, sewerage etc.) and landscaping.

Karro Food Limited

Notes to the financial statements
For the 52 week period ended 25 March 2023

11. Property, plant and equipment (continued)

If freehold land and buildings were measured using the historical cost model, the carrying amounts would be as follows:

	25 March 2023 £'m	26 March 2022 £'m
Cost	35.8	35.0
Accumulated depreciation based on historical cost	(19.8)	(15.6)
Historical cost carrying value	<u>16.0</u>	<u>19.4</u>

12. Right-of-use-assets

The Company has lease contracts for various items of plant, machinery, vehicles, land and buildings used in its operations. Leases of plant and machinery generally have lease terms between 2 and 9 years, while motor vehicles generally have lease terms of 4 years, and land and buildings generally have lease terms between 2 and 30 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of machinery with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemption for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Plant and machinery £'m	Motor vehicles £'m	Land and buildings £'m	Total £'m
As at 26 March 2022	<u>7.6</u>	<u>0.1</u>	<u>0.7</u>	<u>8.4</u>
Additions	0.3	-	2.3	2.6
Disposals	-	-	-	-
Depreciation expense	(1.5)	(0.1)	(0.3)	(1.9)
As at 25 March 2023	<u>6.4</u>	<u>-</u>	<u>2.7</u>	<u>9.1</u>

Set out below are the carrying amounts of lease liabilities (included under obligations under lease arrangements) and the movements during the period:

Karro Food Limited

Notes to the financial statements
For the 52 week period ended 25 March 2023

12. Right-of-use-assets (continued)

	£'m
As at 26 March 2022	4.7
Additions	2.6
Disposals	-
Interest	0.2
Payments	(2.1)
As at 25 March 2023	5.4
Current	1.9
Non-current	3.5

The table below summarises the maturity profile of the Company's undiscounted lease liabilities:

	Less than 1 year £'m	1 to 2 years £'m	2 to 3 years £'m	3 to 4 years £'m	4 to 5 years £'m	Over 5 years £'m
Lease liabilities	2.1	1.0	0.6	0.4	0.2	4.5

The following are the amounts recognised in profit or loss:

	25 March 2023 £'m	26 March 2022 £'m
Depreciation expense of right-of-use assets	1.9	2.3
Interest expense on lease liabilities	0.2	0.3
Total amount recognised in profit or loss	2.1	2.6

The Company had total cash outflows for leases of £2.1m (51 week period ended 26 March 2022: £2.7m).

The Company has lease contracts that includes purchase options. Management exercises significant judgement in determining whether these options are reasonably certain to be exercised.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

13. Biological assets

At 25 March 2023, the Company held biological assets in the form of pig livestock of £29.7m (26 March 2022: £19.8m) comprising a breeding herd and pigs bred for slaughter.

Biological assets:	£'m
Fair value as at 03 April 2021	16.5
Increases due to purchases	5.9
Decrease attributable to harvest	(56.6)
Decrease attributable to sales	(10.4)
Changes in fair value less estimated costs to sell	64.4
Fair value as at 26 March 2022	19.8
Increases due to purchases	6.3
Decrease attributable to harvest	(61.0)
Decrease attributable to sales	(12.8)
Changes in fair value less estimated costs to sell	77.4
Fair value as at 25 March 2023	29.7

The entity considered the difference between the carrying value and the fair value less cost to sell and determined there was no variance.

	25 March 2023 £'m	26 March 2022 £'m
Types of biological assets:		
Bearer assets	10.0	6.3
Consumable assets	19.7	13.5
	29.7	19.8

Bearer assets are included in non-current assets and relate to the breeding herd, whereas consumable assets are included in current assets and relate to production / slaughter stock.

Karro Food Limited**Notes to the financial statements
For the 52 week period ended 25 March 2023****13. Biological assets (continued)**

At 25 March 2023 the entity had commitments of £0.8m (26 March 2022: £1.3m) for the acquisition of biological assets. The carrying amounts of biological assets whose title is restricted is £nil (26 March 2022: £nil). The carrying amount of biological assets pledged as security is £nil (26 March 2022: £nil).

Additional information

	25 March 2023 No	26 March 2022 No
Quantities held at the period end:		
Breeding sows (bearer assets)	27,397	27,475
Boars (bearer assets)	675	673
Pigs (consumable assets)	198,845	200,886
	<u>226,917</u>	<u>229,034</u>

For the period ended 25 March 2023 the culls from the non-current herd were 12,815 (26 March 2022: 13,442)

14. Inventory

	25 March 2023 £'m	26 March 2022 £'m
Raw materials	17.6	19.1
Finished goods	20.1	28.4
	<u>37.7</u>	<u>47.5</u>

Inventories are shown net of any provision for slow moving or obsolete inventory. As at 25 March 2023 the provision was £4.2m (26 March 2022: £5.1m).

15. Trade and other receivables

	25 March 2023 £'m	26 March 2022 £'m
Trade receivables	55.3	53.8
Loss allowance	(0.9)	(1.1)
Other debtors	12.5	8.6
Prepayments	0.4	0.6
Contract assets	1.5	2.6
Amounts owed by parent companies	34.7	19.4
Amounts owed by fellow Group companies	16.5	12.9
	<u>120.0</u>	<u>96.8</u>

Intercompany balances are repayable on demand and bear no interest.

Karro Food Limited**Notes to the financial statements
For the 52 week period ended 25 March 2023****15. Trade and other receivables (continued)**

Trade receivables are non-interest bearing and are generally payable within the Company's agreed standard terms. Special terms may be agreed in writing between the customer and the Company, however the customer must make all payments due under the contract without any deductions whatsoever unless agreed as part of the contract.

Trade receivables are shown net of any provision for impairment which is calculated using the Expected Credit Losses (ECL) methodology as outlined in Note 2 'Impairment of financial assets'.

For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the counterparties and the economic environment.

Trade receivables include amounts (see below for aged analysis) which are past due at the reporting date but against which the Company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is over 30 days outstanding) are still considered recoverable. Trade receivables are classified as loans and receivables and are therefore measured at amortised cost.

The Company does not have any contract assets where the period between the transfer of goods to the customer and payment by the customer exceeds one year.

Ageing of past due but not impaired receivables:

	As at 25 March 2023 £'m	As at 26 March 2022 £'m
0-30 days overdue	2.0	4.3
30-60 days overdue	-	0.2
60-90 days overdue	-	-
>90 days overdue	-	-
	<u>2.0</u>	<u>4.5</u>

Movement in the allowance for doubtful debts:

	52 week period ended 25 March 2023 £'m	51 week period ended 26 March 2022 £'m
Balance at the beginning of the period	1.1	0.9
Amounts accrued during the period	0.7	1.6
Amounts recovered, utilised or written off during the period	(0.9)	(1.4)
Balance at the end of the period	<u>0.9</u>	<u>1.1</u>

The Director considers that the carrying amount of trade and other receivables is approximately equal to their fair value.

Karro Food Limited**Notes to the financial statements
For the 52 week period ended 25 March 2023****16. Cash and cash equivalents**

	25 March 2023 £'m	26 March 2022 £'m
Cash and cash equivalents	6.6	4.7
	<u>6.6</u>	<u>4.7</u>

Part of the Company cash holdings at the balance sheet date were in non-sterling currencies. These amounted to:

	25 March 2023 £'m	26 March 2022 £'m
EUR	3.5	2.9
USD	0.3	0.4
	<u>3.8</u>	<u>3.3</u>

17. Trade and other payables: amounts falling due within one year

	25 March 2023 £'m	26 March 2022 £'m
Trade creditors	73.2	53.8
Overdraft	-	2.1
Other tax and social security	2.2	2.3
Other creditors	4.7	6.5
Accruals and deferred income	7.9	8.0
Contract liabilities	0.8	1.0
Government grants (note 19)	0.1	0.1
Amounts owed to parent companies	30.0	10.4
Amounts owed to fellow Group companies	29.6	29.4
	<u>148.5</u>	<u>113.6</u>

Overdraft facilities are secured by a fixed and floating charge on the assets of the Company. Intercompany loans are all interest free and repayable on demand.

The Director considers that the carrying amount of trade and other payables is equal to their fair value.

The Company does not have any contract liabilities where the period between the transfer of goods from the supplier and payment to the supplier exceeds one year.

Karro Food Limited**Notes to the financial statements****For the 52 week period ended 25 March 2023****18. Trade and other payables: amounts falling due after more than one year**

	25 March 2023 £'m	26 March 2022 £'m
Other creditors	-	0.4
Capital grants (note 19)	0.3	0.3
	<u>0.3</u>	<u>0.7</u>

19. Government grants

	£'m
Capital grants	
At 26 March 2022	0.4
Released to profit and loss account	-
	<u>0.4</u>
At 25 March 2023	<u>0.4</u>

Within trade and other payables is £0.3m (26 March 2022: £0.3m) falling due after more than one year.

Government grants have been received and used for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

20. Loans and borrowings

	25 March 2023 £'m	26 March 2022 £'m
Current		
ABL facility	-	13.4
Total current	<u>-</u>	<u>13.4</u>
Non- current		
ABL facility	1.6	-
Total non-current	<u>1.6</u>	<u>-</u>
Total	<u>1.6</u>	<u>13.4</u>

The ABL facility is an Asset Based Lending Facility which expires on 27 September 2025 at an interest rate of SONIA + 1.2%. The Asset Backed Lending Facility is secured on certain debts of the Group, as agreed with the lender.

Karro Food Limited**Notes to the financial statements
For the 52 week period ended 25 March 2023****21. Called up share capital**

	25 March 2023 £'m	26 March 2022 £'m
Authorised, allotted, called up and fully paid		
190,214,079 Ordinary shares of £0.01 each (26 March 2022: 190,214,079 of £0.01 each)	<u>1.9</u>	<u>1.9</u>

22. Commitments

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

	25 March 2023 £'m	26 March 2022 £'m
Within one year	1.5	2.1
In the second to fifth years inclusive	-	-
After five years	<u>-</u>	<u>-</u>
	<u>1.5</u>	<u>2.1</u>

Letters of credit of £0.2m were outstanding at 25 March 2023 (26 March 2022: £0.2m).

23. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method, using a tax rate of 25.0% (51 week period ended 26 March 2022: 25.0%).

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	25 March 2023 £'m	26 March 2022 £'m
Deferred tax liabilities	(10.3)	(9.6)
Deferred tax assets	8.7	4.9
	<u>(1.6)</u>	<u>(4.7)</u>

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

Karro Food Limited

Notes to the financial statements

For the 52 week period ended 25 March 2023

23. Deferred tax (continued)

	Temporary differences non trading £'m	Accelerated tax depreciation £'m	R&D expenditure credit £'m	Losses £'m	Total £'m
At 26 March 2022	(6.8)	(2.8)	1.6	3.3	(4.7)
(Charge)/credit to profit or loss	-	(0.6)	-	2.6	2.0
Charge to other comprehensive income	(0.1)	-	-	-	(0.1)
Increase in research and development withholding credit	-	-	1.2	-	1.2
At 25 March 2023	(6.9)	(3.4)	2.8	5.9	(1.6)

At the period end there were no unrecognised deferred tax assets (51 week period ended 26 March 2022: £nil).

24. Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Categories of financial instruments

	25 March 2023 £'m	26 March 2022 £'m
Financial assets at amortised cost		
Cash and bank balances	6.6	4.7
Trade and other receivables	118.1	93.6
Fair value through profit and loss (FVTPL)		
Financial derivatives	-	4.4
	25 March 2023 £'m	26 March 2022 £'m
Financial liabilities at amortised cost		
Bank overdraft	-	2.1
Trade and other payables	145.4	108.1
Loans and borrowings	1.6	13.4
Lease liabilities	5.4	3.7

Karro Food Limited

Notes to the financial statements

For the 52 week period ended 25 March 2023

24. Financial instruments (continued)

At the end of the reporting period, there are no significant concentrations of credit risk for receivables designated as fair value through the profit and loss (FVTPL). The carrying amount reflected above represents the Company's maximum exposure to credit risk for receivables.

Financial risk management objectives

The Sofina and UK 111 Limited Group's Corporate Treasury function provides services to the Company, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to manage these risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

There are no material risks arising from financial instruments subject to the interest rate benchmark reform.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company enters into derivative financial instruments to manage its exposure to foreign currency risk, in the form of forward foreign exchange contracts to manage the exchange rate risk arising on the export and import of goods to Europe and the rest of the world.

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Company is exposed to US dollar, Australian dollar and Euro currencies. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	25 March 2023 £'m	26 March 2022 £'m	25 March 2023 £'m	26 March 2022 £'m
Euro territories	11.0	7.7	1.2	0.3
US Dollar territories	5.6	7.6	0.4	0.1
Australian Dollar territories	-	0.1	-	-

Karro Food Limited

Notes to the financial statements For the 52 week period ended 25 March 2023

24. Financial instruments (continued)

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 1% increase and decrease in Sterling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling strengthens 1% against the relevant currency. For a 1% weakening of Sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Euro impact			US Dollar impact		
	25	26		25	26	
	March	March		March	March	
	2023	2022		2023	2022	
	£'m	£'m		£'m	£'m	
Profit or loss	(0.1)	0.1	(i)	(0.1)	0.1	(ii)

- (i) This is the result of the changes in value of Euro assets & liabilities in the Company at the balance sheet date.
- (ii) This is the result of the changes in value of U.S Dollar assets & liabilities in the Company at the balance sheet date.

Forward foreign exchange contracts

It is the policy of the Company to enter into forward foreign exchange contracts to cover specific contracted foreign currency payments and receipts. Foreign currency exposure in the Company is reduced by offsetting receipts with payments in the same currency where possible, and also by entering into forward contracts to cover any surplus requirements for a time period decided by the Board.

There were no forward foreign currency contracts outstanding as at 26 March 2023 or 26 March 2022.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses independent rating agencies, other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved continuously.

Trade receivables consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance cover is purchased.

A significant proportion of sales are to major UK supermarkets that represent a significant proportion of the trade receivables at any given time and the financial strength of these entities have led the Director to conclude that the Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

24. Financial instruments (continued)

At the end of the reporting period, there are no significant concentrations of credit risk for receivables designated as FVTPL. The carrying amount reflected above represents the Company's maximum exposure to credit risk for receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The expected loss rates are based on the payment profiles of sales over a period of 3 months before 25 March 2025. Where necessary, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company's corporate treasury department monitor and manages these credit risks and does not consider them significant.

At the end of the reporting period, there are no significant concentrations of credit risk for receivables designated as FVTPL. The carrying amount reflected above represents the Company's maximum exposure to credit risk for receivables.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management policy for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company has access to funding from Sofina for any funding requirements in excess of short term facilities in the form of cash, asset backed lending or factoring facilities.

The Company has access to financing facilities, of which £59.4m (26 March 2022: £52.3m) were unused at the balance sheet date. The Company expects to meet its other obligations from operating cash flows.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

24. Financial instruments (continued)

The different levels are for fair value measurements are:

Fair value measurements

Recurring fair value measurements

At 25 March 2023		Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
	Note				
Assets at fair value through profit and loss (FVTPL)					
Biological assets	13	-	29.7	-	29.7
Animal Feed		-	-	-	-
Total assets		-	29.7	-	29.7

At 26 March 2022		Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
	Note				
Assets at fair value through profit and loss (FVTPL)					
Biological assets	13	-	19.8	-	19.8
Animal Feed		-	4.5	-	4.5
Total assets		-	24.3	-	24.3

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Karro Food Limited

Notes to the financial statements For the 52 week period ended 25 March 2023

24. Financial instruments (continued)

Animal feed prices

The Company places contracts for the supply of certain animal feed products in order to provide a stable cost base for marketing finished products. This gives the Company the benefit of guaranteed feed volumes at fixed prices. The amounts the Company is contractually committed to purchase at 25 March 2023 is £Nil (26 March 2022: £11.7m).

The following table shows the fair value gains on the forward orders in place:

	25 March 2023 £'m	26 March 2022 £'m
Less than 3 months	-	2.3
3 to 6 months	-	1.4
6 months and above	-	0.8
	-	4.5

The feed forward contracts in place at the period end expose the Company to adverse movements in cash flow and profit due to the market risk arising from changes in prices for soya, maize and other animal feeds. Applying a reasonable rise or fall in commodity prices (5% & 10%) to the Company's net feed contracts held at the period end would result in a movement of £Nil (26 March 2022: £1.6m). Inventories and estimated anticipated purchases are not included in these calculations.

This method of analysis is used to assess and mitigate risk and should not be considered a projection of likely future events and losses. Actual results and market conditions in the future may be materially different from those projected and could cause losses to exceed the amounts projected.

Fair value of the Company's financial assets and financial liabilities are measured at fair value on a recurring basis.

The Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. In the prior year, the valuation techniques used to determine fair values of animal feed contracts were the current feed prices. See note 2 for the accounting treatment of such transactions in the current year.

There were no transfers between fair value hierarchy levels in the period.

25. Contingent liabilities

Cash pool facilities

There is an unlimited cross guarantee between Element UK TOPCO Limited, Element UK HOLDCO Limited, Element UK MIDCO Limited, Sofina Foods Limited, Karro Food Group Limited, Karro Food Limited, Karro Food Frozen Limited, Karro Food Stoke Limited, Karro ICT Services Limited, FJG Logistics Limited and T S Bloor & Sons Limited in relation to the Group's £15.0m gross, £nil net overdraft facility.

The Company is an Obligor to the revolving credit facility and term loan of Sofina Foods Inc.

Karro Food Limited

**Notes to the financial statements
For the 52 week period ended 25 March 2023**

26. Reserves

The retained earnings represent cumulative profits or losses, net of dividends paid.

The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings.

27. Controlling party

The Company's immediate parent Company is Karro Food Group Limited, a Company registered in England and Wales. The ultimate parent company is Latrus Inc, a Company registered in Canada.

UK 111 Limited is the parent undertaking of the smallest Group which includes the Company for which Group financial statements are prepared. A copy of these financial statements can be obtained from the Registered Office at c/o Sofina Foods Limited, Hugden Way, Norton Grove Industrial Estate, Malton, North Yorkshire, YO17 9NE.

28. Ultimate controlling party

At the reporting date the ultimate controlling party of the Company and the Group is Michael Latifi.

UK 111 Limited is the parent undertaking of the smallest Group which includes the Company and for which Group financial statements are prepared and Sofina Inc. is the largest Group which includes the Company.

29. Post balance sheet events

There are no material post balance sheet events to report.