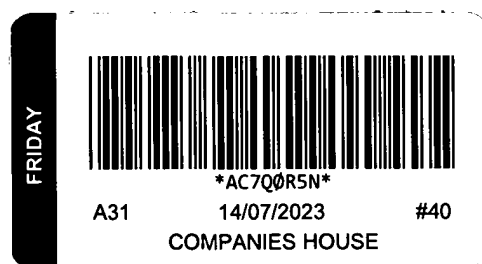


Grace Foods UK Limited
Annual report and financial statements
for the year ended 31 December 2022

Registered number 00094632



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Strategic report

The directors present their strategic report of Grace Foods UK Limited ("the company") for the year ended 31 December 2022.

Business review and principal activities

Grace Foods UK Limited imports, manufactures and distributes a variety of specialty food products as a brand owner or distributor to the supermarkets, catering sectors, food and drink trade in the UK and Europe.

The results for the company show an operating profit of £3,605,000 for the year (2021: £3,219,000 operating profit).

The net assets of the company as at 31 December 2022 were £8,930,000 (31 December 2021: £7,724,000).

Principal risks and uncertainties

The management of the business and the execution of the company's strategy is subject to a number of risks.

There are several contracts and key agency agreements for the supply of key products and brands in the UK to which the company is a party, and these are managed to ensure that actions can be taken to mitigate any risks that arise.

The company operates in the retail and wholesale markets where there is strong competition. The directors maintain proactive marketing policies to ensure that its products and brands receive regular support in these markets.

The company is also exposed to challenging market conditions due to foreign currency exchange rate volatility, commodity price increases, continued disruption in supply chains and soaring energy costs. The company actively monitors the dynamic economic environment and mitigates these risks by entering into foreign exchange forward contracts, constant dialogue with strategic supply partners about price and product engineering, sourcing products from alternative suppliers and optimising its own manufacturing capabilities to allow for efficient insourcing of products.

The company's holding company in the UK has appointed the GraceKennedy group internal audit team to carry out a program of audits based upon the company's assessment of its business risks and the internal controls that are currently in place.

Key Performance Indicators ("KPIs")

The directors of GK Foods (UK) Limited, the immediate parent undertaking, consider profitability, working capital and supply chain performance to be the key KPIs within the company. For profitability, profit before tax as reported in the income statement is used, working capital performance is measured by the cash conversion cycle (2022: 57 days; 2021 68 days) and supply chain performance is measured by the supply chain service levels (2022: 87%; 2021 92%).

Strategic report (continued)

Directors' Duties

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. The Directors fulfil their duties as summarised in the following paragraphs in the Directors' report on pages 4 to 7: Financial risk management, Employees, Employee involvement and communication, Environmental, Social & Governance and Streamlined Energy and Carbon Reporting.

Creditor payment policy

For all trade creditors, it is the company's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

Trade creditor days for the year ended 31 December 2022 were 46 days (31 December 2021: 36 days) based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

By order of the Board



Kerry-Ann Lincoln
Company Secretary
27 February 2023

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
England
AL7 1HW

Directors' report

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

General Information

Grace Foods UK Limited is a private limited company incorporated and domiciled in the UK. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, England AL7 1HW.

The principal activity of the company during the year was the manufacture and distribution of food and drink products with a variety of specialty products as a brand owner or distributor.

The immediate parent undertaking is GK Foods (UK) Ltd, incorporated in the UK. The ultimate parent company and controlling party is GraceKennedy Limited.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The company retains net assets of £8,930,000 (2021: £7,724,000) at the balance sheet date. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The ultimate parent will provide financial support to the company such that the company is able to operate as a going concern and to settle its liabilities as they fall due. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Future outlook

The external commercial environment is expected to remain competitive for 2023. However, the directors remain confident that the company will be able to maintain its current level of performance in the future.

The company will face challenges arising primarily from continued disruption in global supply chains and higher cost inflation, which are expected to continue for the foreseeable future. The directors will maintain policies to adapt to these changing conditions and to ensure the company's long-term future.

We continue to invest in the development of our major brands and in the development of new products for all our operations. The directors regard the investment in new product development as integral to the continuing success of the business and ensuring that we are able to continue to meet the needs of our customers. We are also continuing to invest in our understanding of our customers buying patterns.

Dividends

The directors approved interim dividends of £750,000 paid on 31 October 2022 and £750,000 paid on 23 December 2022. (2021: £1,556,000). The directors do not recommend the payment of any further dividends in respect of the year ended 31 December 2022 (2021: £nil).

Post balance sheet events

The directors do not consider there to be any important events affecting the company after the balance sheet date.

Directors' report (continued)

Political and charitable donations

The company made no political or charitable donations during the year (2021: £nil).

Financial instruments

The company uses foreign exchange forward contracts to manage its exposure to fluctuations in foreign currency rates.

Directors

The directors who held office during the year and up to the date of signing these financial statements were as follows:

D Wehby
G Shirley
A Lewis-Coy
B Mitchell
V Rizzoli
A Rainford
E McDonald

As permitted by the Articles of Association, the directors have 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 is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Financial risk management

The company is exposed to a variety of financial risk including currency risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee. The policies set by the directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity price risks as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risks exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size and nature.

Currency risk

The company uses forward contracts to manage the risk associated with fluctuating exchange rates on its purchases.

Credit risk

The company has implemented policies that require appropriate checks on potential and existing customers before sales are made. The amount of exposure to any individual customer is subject to a limit which is reassessed periodically by the directors, in conjunction with the company's credit insurers.

Directors' report (continued)

Employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

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.

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a role in maintaining its performance. The group encourages the involvement of employees by means of a performance-based incentive scheme.

Employee involvement and communication

We have engaged colleagues with great ideas and strive to involve our people with matters impacting on them. We receive feedback through employee opinion surveys, which form an important strategic tool across the company, as they provide honest feedback that can drive business improvements. We value two-way communication, having a significant number of proactive employee forums in place, to ensure that we have an ongoing dialogue to involve colleagues with matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings.

Environmental, Social & Governance

The company's ESG strategy is led by its ultimate parent, GraceKennedy Limited. The Group's strategy is outlined in its ESG statement below.

GraceKennedy Group was founded on the ethos of We Care, which is at the heart of who we are as a company, and how we achieve success. Our We Care ethos frames our approach to Environment, Social & Governance (ESG) and inspires our commitment to adhere to the highest ethical standards; provide a safe, diverse and respectful workplace; promote responsible products and services; be stewards of the natural environment; and enable inclusive and vibrant communities.

Adhering to the highest standards of integrity

Compliance: We are committed to complying with all applicable laws and regulations and conducting our activities in accordance with our corporate policies and in alignment with international standards.

Ethics: We are committed to upholding the highest standards of integrity underpinned by our core values - Honesty, Integrity and Trust.

Human Rights: We support and respect the protection of internationally proclaimed human rights, which includes the Universal Declaration of Human Rights and the core standards set out by the International Labour Organization.

Responsible Procurement: We are committed to working with our suppliers and third parties who work on our behalf, to ensure that ESG risks and opportunities are considered.

Directors' report (continued)

Providing a safe, diverse and respectful workplace

Health, Safety & Wellbeing: We are committed to providing a work environment that inspires our team to grow and perform in a safe, healthy and flexible way.

Labour: We are committed to promoting freedom of association, eliminating workplace harassment and violence, and providing competitive compensation. We oppose the use of child labour, forced or compulsory labour, human trafficking and all forms of modern slavery.

Equity, Diversity & Inclusion: We are committed to ensuring we treat people with fairness and dignity, and reject all forms of discrimination based on race, colour, gender, sexual orientation, age, religion, ethnicity, national or social origin, property, political, disability, birth or any other basis.

Promoting responsible products and services

Innovation: We are committed to investing in new products and services that provide healthier, more sustainable options for our customers.

Customer Experience: We are committed to creating best-in-class experiences and putting our customers first.

Marketing: We are committed to the responsible marketing of our products and services, respecting different cultures, demographics and geographies.

Being Environmental Stewards

Resource Management: We are committed to optimizing the use of resources and minimizing waste by promoting circular economy principles in our operations, products and services.

Climate Change: We are committed to reducing our greenhouse gas impact, promoting the use of cleaner energy, and addressing climate risks and opportunities.

Biodiversity: We are committed to ensuring ecosystem health and biodiversity is protected across our entire value chain.

Enabling Inclusive and Vibrant Communities

Community Investment: We are committed to supporting causes that create positive environmental and social contributions in the communities where we live and work in accordance with the GraceKennedy Group's Corporate Social Responsibility (CSR) Policy.

Socio-Economic Impact: We are committed to driving economic prosperity through the direct and indirect benefits of our activities, including job creation, supplier payments, responsible taxes, and shareholder returns.

Stakeholder Relations: We are committed to proactively engaging and advocating on issues of public interest relevant to our stakeholders to help build trust and mutual understanding.

Streamlined Energy and Carbon Reporting

During the year, the company implemented a range of energy conservation initiatives, targeting our distribution centre, factory, and office locations. In our distribution centre we installed equipment with a higher energy efficiency footprint, reduced the scale of refrigeration equipment to optimum levels, and replaced the lighting in certain areas to include occupancy sensors. In our factory location we changed product packaging which resulted in a reduction in energy usage on our shrink wrapper machine and replaced some lighting with energy efficient bulbs. In our office space we reduced the scale of lighting and improved the lighting efficiency per floor area.

The company's energy consumption and CO2 emissions is reported in the table below in accordance with the Streamlined Energy and Carbon Reporting (SECR) disclosure requirements.

Directors' report (continued)

The SECR submission has been compiled using the 2022 HM Government Environmental Guidelines.

Emissions have been grouped according to the GHG Protocol Corporate Standard.

We have used the following data sources for the report:

- Energy and Fuel Data – Energy supplier billing data;
- Transport Data – Total litres of diesel fuel used;

CO2 emissions have been calculated using the 2022 UK Government Conversion Factors for Company Reporting.

	2022 kWh	2021 kWh
Energy consumption used to calculate emissions (kWh)		
Total Energy Consumption (kWh)	3,960,424	4,127,784
Energy consumption used to calculate emissions (kWh):		
Natural gas	939,014	1,132,515
Electricity	1,655,379	1,671,758
Distribution fleet fuel	1,136,638	1,120,166
Private vehicle fuel	229,393	203,346
	tonnes CO2e	tonnes CO2e
Scope 1 emissions in metric tonnes CO2e		
Natural gas	171	207
Distribution fleet: diesel fuel	298	293
Scope 2 emissions in metric tonnes CO2e		
Purchase of electricity	320	355
Scope 3 emissions in metric tonnes CO2e		
Private vehicles on company business: diesel and petrol	60	54
Total net emissions in metric tonnes	849	910
Intensity ratio tonnes CO2e per £m revenue	9.7	11.3

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are 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 directors are 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 directors are 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By the order of the Board



Kerry-Ann Lincoln
Company Secretary
27 February 2023

Grace House
Bessemer Road
Welwyn Garden City
Hertfordshire
England
AL7 1HW

Independent auditors' report to the members of Grace Foods UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Grace Foods UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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: the Statement of financial position as at 31 December 2022; the Income statement, Statement of comprehensive income and the 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.

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 are 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.

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 31 December 2022 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 Statement of directors' responsibilities in respect of the financial statements, the directors are 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 are 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 are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 the Companies Act 2006, UK tax legislation and non-compliance with employment regulations in the UK, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting fraudulent journal entries, designed to manipulate the financial performance and/or position of the Company. Audit procedures performed by the engagement team included:

- Inquiry with management in respect of potential non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation;
- Identifying and testing journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.



Ruairidh Macphee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
2 March 2023

Income statement for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	5	87,677	80,705
Cost of sales		(65,775)	(59,198)
Gross Profit		21,902	21,507
Distribution costs		(4,057)	(3,613)
Administrative expenses		(14,286)	(14,777)
Impairment reversal of trade receivables		46	102
Operating profit	6	3,605	3,219
Finance income		-	6
Finance expenses	9	(251)	(232)
Profit before income tax		3,354	2,993
Income tax expense	10	(648)	(617)
Profit for the financial year		2,706	2,376

Statement of comprehensive income

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the financial year	2,706	2,376
Other comprehensive income	-	-
Total comprehensive income for the year	2,706	2,376

The notes on pages 15 to 29 form part of these financial statements.
The results for the year arise solely from continuing activities.

Statement of financial position As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	11	1,528	1,747
Right of use assets	12	4,746	5,886
Investments	13	-	-
		6,274	7,633
Current assets			
Inventory	14	12,942	11,816
Trade and other receivables	15	12,619	11,364
Cash at bank and in hand		132	111
		25,693	23,291
Total assets		31,967	30,924
Current liabilities			
Trade and other payables	16	15,731	14,919
Lease liabilities	12	1,777	1,598
Borrowings	17	2,152	2,081
		19,660	18,598
Non-current liabilities			
Lease liabilities	12	3,377	4,602
Total liabilities		23,037	23,200
Equity			
Called up share capital	20	-	-
Retained earnings		8,930	7,724
Total equity		8,930	7,724
Total equity and liabilities		31,967	30,924

The notes on pages 15 to 29 are an integral part of these financial statements.

The financial statements on pages 12 to 29 were approved by the board of directors and authorised for issue on 27 February 2023 and were signed on its behalf.



B Mitchell
Director
Grace Foods UK Limited
Registered number: 00094632

Statement of changes in equity

For the year ended 31 December 2022

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' Fund £'000
Balance as at 1 January 2021	-	6,904	6,904
Profit for the financial year	-	2,376	2,376
Total comprehensive income for the year	-	2,376	2,376
Dividends	-	(1,556)	(1,556)
Total transactions with owners, directly recognised in equity	-	(1,556)	(1,556)
Balance as at 31 December 2021	-	7,724	7,724
Balance as at 1 January 2022	-	7,724	7,724
Profit for the financial year	-	2,706	2,706
Total comprehensive income for the year	-	2,706	2,743
Dividends	-	(1,500)	(1,500)
Total transactions with owners, directly recognised in equity	-	(1,500)	(1,500)
Balance as at 31 December 2022	-	8,930	8,930

During the year dividends totalling £1,500,000 (2021: £1,556,000) were paid, which is a dividend per share of £375,000 (2021: £389,000). The directors have not recommended the payment of any further dividends in respect of the year ended 31 December 2022 (2021: £nil).

Notes to the financial statements for the year ended 31 December 2022

1. General information

Grace Foods UK Limited imports, manufactures and distributes a variety of specialty food products as a brand owner or distributor to the supermarkets, catering sectors, food and drink trade in the UK and Europe.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The registered address is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire, England AL7 1HW.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of Grace Foods UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets (notes 2.6.2 and 4) at fair value, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

- certain comparative information as otherwise required by paragraph 38 of IAS 1, 'Presentation of financial statements';
- a statement of compliance with adopted IFRS as required by paragraph 16 of IAS 1, 'Presentation of Financial Statements';
- a statement of cash flows; as required by paragraph 10(d) and 111 of IAS 1, 'Presentation of Financial Statements' and IAS 7, 'Statement of Cash Flows';
- certain disclosures regarding the company's objectives, policies and processes for managing capital as required by paragraphs 134 to 136 of IAS 1, 'Presentation of Financial Statements';
- the effect of future accounting standards not yet adopted as required by paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors';
- the disclosure of the remuneration of key management personnel as required by paragraphs 17 and 18A of IAS 24, 'Related Party Disclosures'; and
- disclosure of related party transactions with other wholly owned members of the group headed by GraceKennedy Limited, as required by IAS 24, 'Related Party Disclosures'.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of GraceKennedy Limited. These financial statements do not include certain disclosures in respect of:

- IFRS 7, Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- IFRS 13, Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

- IAS 36, 'Impairment of Assets'.

2.1.1 Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The ultimate parent will provide financial support to the company such that the company is able to operate as a going concern and to settle its liabilities as they fall due. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 Consolidation

The company is a wholly owned subsidiary of GK Foods (UK) Limited and of its ultimate parent, GraceKennedy Limited. It is included in the consolidated financial statements of GraceKennedy Limited which are publicly available (see note 22). Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Pounds Sterling (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
• Premises leasehold improvements	over the life of the lease
• Motor Vehicles 4 years	25%
• Furniture and fixtures 5 - 8 years	15% - 20%
• Plant, machinery and equipment 5 – 20 years	5% - 20%

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and would be recognised within 'Other income' in the income statement.

2.4.1 Impairment of non-financial assets

The carrying amount of the company's fixed assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.5 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises the raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.6 Financial assets

The company classifies its financial assets in the following categories:

- Amortised cost.
- Fair value through profit or loss (FVTPL)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

2.6.1 Financial assets at amortised cost

The company classifies its financial assets as amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

Subsequent to initial recognition these financial assets are measured at amortised cost using the effective interest method. 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 (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets.

2.6.2 Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. The assets are subsequently measured at fair value with gains or losses recognised in profit or loss and presented net within other (expenses)/income in the period they arise. Fair values are determined by reference to an active market or using valuation techniques where no active market exists.

The following financial assets are classified at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost.
- Foreign exchange forward contracts.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.8 Impairment of financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables – see note 15.

2.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are secured by a fixed and floating charge over the assets of the company.

2.11 Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, using the effective interest rate method.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

2.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Employee benefits

The company operates a defined contribution pension plan.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.14 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

2.15 Leases

The company leases various warehouse and factory premises, motor vehicles and equipment. Rental contracts are typically made for fixed periods of 3 years to 5 years but may have extension options. One premises has a fixed period lease of 25 years. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of premises for which the company is a lessee and for which it has major leases, it has elected to separate lease and non-lease components and account for these separately, with the lease component treated under IFRS 16 and the non-lease component treated as operating expense. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the lessee.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The company does not revalue the right-of-use assets that are presented within property, plant and equipment.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.16 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.17 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.18 Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the IFRS 9 expected credit loss (ECL) allowance and (b) the amount initially recognised less, when appropriate, cumulative amount of income/amortisation recognised. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.19 Revenue recognition

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below.

Sales of goods

The company supplies the supermarkets and food and drink trade with a variety of specialty products as a brand owner or distributor. Sales of goods are recognised when the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been supplied to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied at which point a receivable is recognised. The food and drink products are often sold with volume discounts, and customers have a right to return faulty products. A contract liability, representing amounts payable to customers, is recognised for any expected returns and sales incentives. Where customer contracts entitle customers to free goods, revenue is allocated to each performance obligation, including free goods, and recognised as the performance obligations are satisfied. Contract liabilities are included in Trade and other payables on the statement of financial position.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Summary of significant accounting policies (continued)

Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Financial instruments

The company enters into certain foreign exchange forward contracts to manage its exposure to currency movements. The company has not applied hedge accounting, and all derivatives are measured at fair value through profit and loss.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently revalued to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss.

The fair value of derivative liabilities at 31 December 2022 is £67,000 (2021: derivative assets of £3,000)

5. Revenue

Analysis of revenue by geographical markets		2022	2021
		£'000	£'000
UK		82,183	75,685
Rest of Europe		5,388	4,848
Rest of the World		106	172
		<u>87,677</u>	<u>80,705</u>
Analysis of revenue by category		2022	2021
		£'000	£'000
Sales of goods		<u>87,677</u>	<u>80,705</u>

Notes to the financial statements for the year ended 31 December 2022 (continued)

6. Operating profit

Operating profit is stated after charging/(crediting)	2022	2021
	£'000	£'000
Wages and salaries	6,444	6,441
Social security costs	778	662
Other pension costs	219	235
Staff costs	<u>7,441</u>	<u>7,338</u>
Loss on disposal of property, plant and equipment	-	47
Impairment reversal of trade receivables	(26)	(84)
Bad debt written off	19	-
Impairment reversal of inventory (included in 'cost of sales')	(11)	5
Inventory written off (included in 'cost of sales')	234	359
Auditors' remuneration – audit of company and immediate parent	106	99
Auditors' remuneration - tax services	24	17
Auditors' remuneration – other services	5	20
Depreciation of owned tangible fixed assets	377	430
Depreciation of Right of Use Assets	<u>1,716</u>	<u>1,603</u>

7. Directors' emoluments

	2022	2021
	£'000	£'000
Aggregate emoluments	313	287
Company contributions to money purchase pension schemes	<u>21</u>	<u>19</u>
	<u>334</u>	<u>306</u>

Retirement benefits accruing to the following number of directors under:

	2022	2021
	number	number
Money purchase schemes	<u>1</u>	<u>1</u>

	2022	2021
	£'000	£'000
Highest paid director		
Aggregate emoluments	302	275
Company contributions to money purchase pension schemes	<u>21</u>	<u>19</u>
	<u>323</u>	<u>294</u>

The company operates a money purchase pension scheme for the benefit of employees and directors. The assets of the scheme are administered by an independent pension provider. During the year the company paid contributions to the scheme for directors as scheduled above.

Notes to the financial statements for the year ended 31 December 2022 (continued)

8. Employees

The monthly average number of persons during the year, analysed by category, was as follows:

	2022	2021
By activity	No.	No.
Sales and administration	94	97
Distribution	82	82
	<u>176</u>	<u>179</u>

9. Finance expenses

	2022	2021
	£'000	£'000
Bank interest payable	96	58
IFRS16 lease interest payable	155	174
	<u>251</u>	<u>232</u>

10. Income tax expense

Tax charge included in the income statement	2022	2021
	£'000	£'000
Current tax:		
– UK Corporation tax on profits for the year	655	577
– Adjustment in respect of prior periods	(10)	8
Total current tax	<u>645</u>	<u>585</u>
Deferred tax:		
	2022	2021
	£'000	£'000
Current year	4	9
Effect of changes in tax rates	(1)	23
Total deferred tax	<u>3</u>	<u>32</u>
Tax on profit	<u>648</u>	<u>617</u>

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Income tax expense (continued)

	2022	2021
	£'000	£'000
Profit before taxation	3,354	2,993
Tax on profit at standard UK tax rate of 19.00% (2021: 19.00%)	637	569
<i>Effects of:</i>		
– Adjustments in respect of prior years	(10)	8
– Tax rate changes	(1)	23
– Expenses not deductible for tax purposes – other	22	17
Income tax expense	648	617

The rate of corporation tax remains at 19%, the same as the prior year.

Changes to the UK corporation tax were enacted as part of the Finance Act 2021 in which the rate of corporation tax will remain at 19% for 2022/23, but there will then be an increase to 25% from April 2023 applying to profits over £250,000.

11. Property, plant and equipment

	Premises Leasehold Improvements £'000	Plant, Machinery & Equipment £'000	Motor Vehicles £'000	Furniture & Fixtures £'000	Total £'000
Cost					
At 1 January 2021	1,827	5,076	14	784	7,701
Additions	-	222	-	-	222
Disposals	(70)	(953)	(14)	(273)	(1,310)
At 31 December 2021	1,757	4,345	-	511	6,613
Additions	6	152	-	-	158
At 31 December 2022	1,763	4,497	-	511	6,771
Accumulated Depreciation					
At 1 January 2021	(1,271)	(3,717)	(14)	(700)	(5,702)
Depreciation Charge	(82)	(324)	-	(24)	(430)
Eliminated on disposals	56	926	14	270	1,266
At 31 December 2021	(1,297)	(3,115)	-	(454)	(4,866)
Depreciation Charge	(82)	(273)	-	(22)	(377)
At 31 December 2022	(1,379)	(3,388)	-	(476)	(5,243)
Net Book Value					
At 31 December 2021	460	1,230	-	57	1,747
At 31 December 2022	384	1,109	-	35	1,528

Notes to the financial statements for the year ended 31 December 2022 (continued)

12. Leases

The company has lease contracts for various warehouse and factory premises, motor vehicles and equipment used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

I. Amounts recognised in the statement of financial position	2022	2021
	£'000	£'000
Right of Use Assets		
Leasehold Premises	4,595	5,700
Other	151	186
	<u>4,746</u>	<u>5,886</u>
Lease Liabilities		
Current	1,777	1,598
Non-Current	3,377	4,602
	<u>5,154</u>	<u>6,200</u>

Additions to the right-of-use assets during the 2022 financial year were £575,000 (2021: £1,405,000).

ii. Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Note	2022	2021
		£'000	£'000
Depreciation charge of right-of-use assets			
Leasehold Premises		1,629	1,492
Motor Vehicles		63	97
Equipment		24	14
		<u>1,716</u>	<u>1,603</u>

Interest expense (included in finance cost)	9	155	174
Expense relating to short-term leases (included in Administrative expenses)		167	145

Future minimum lease payments as at 31 December 2022 are as follows:

	2022	2021
	£'000	£'000
Not later than one year	1,898	1,734
Later than one year and not later than five years	3,571	4,900
Total gross payments	<u>5,469</u>	<u>6,634</u>
Impact of finance expenses	<u>(315)</u>	<u>(434)</u>
Carrying amount of liability	<u>5,154</u>	<u>6,200</u>

The total cash outflow for leases in 2022 was £1,777,000 (2021: £2,060,000).

Notes to the financial statements for the year ended 31 December 2022 (continued)

13. Investments

Principal subsidiary undertakings	% ordinary shares held	Nature of business	Country of incorporation
Enco Products Limited	100%	Distributor of speciality food	England and Wales
Chadha Oriental Foods Limited	100%	Distributor of oriental food	England and Wales
Funnybones Foodservice Limited	100%	Distributor of American, Cajun and Tex-Mex dishes	England and Wales
GraceKennedy Ghana Limited	100%	Distributor of speciality food	Ghana

As a result of the hive up, the capital invested in Chadha Oriental Foods Limited, Enco Products Limited and Funnybones Foodservice Limited was repaid and the investments written down to a nominal value of £1 each. There were no changes to investments during the year.

The registered office of Chadha Oriental Foods Limited, Enco Products Limited and Funnybones Foodservice Limited is Grace House, Bessemer Road, Welwyn Garden City, Hertfordshire England AL7 1 HW.

The registered office of GraceKennedy Ghana Limited is A-Life Warehouse, Akasanoma Road, Tema Industrial Area, Tema Ghana.

14. Inventory

	2022 £'000	2021 £'000
Raw materials and consumables	897	954
Finished goods and goods for resale	12,045	10,862
	12,942	11,816

There is no significant difference between the replacement cost of raw materials and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £99,000 (2021: £199,000).

The cost of inventories are recognised as an expense and included in 'Cost of sales' and amounted to £65,775,379 (2021: £59,198,000).

15. Trade and other receivables

	2022 £'000	2021 £'000
Trade debtors	11,490	10,230
Prepayments and accrued income	1,009	894
Other debtors	120	240
	12,619	11,364

Trade receivables are stated after provisions for impairment of £42,000 (2021: £88,000)

Notes to the financial statements for the year ended 31 December 2022 (continued)

16. Trade and other payables

	2022	2021
	£'000	£'000
Amounts owed to group undertakings	1,939	1,178
Trade creditors	10,598	9,155
Taxation and social security	158	153
Contract liabilities	1,746	2,072
Accruals	1,144	2,198
Other creditors	53	73
Deferred Tax (Note 18)	93	90
	<u>15,731</u>	<u>14,919</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. Borrowings

	2022	2021
	£'000	£'000
Bank overdraft	1,808	1,564
Loan falling due within one year (DIT)	344	517
	<u>2,152</u>	<u>2,081</u>

The company enters into short-term loan arrangements for imported goods (DITs) which carry an interest rate of the currency base rate plus 1.9%, and are repayable within 45 days.

18. Deferred tax

	Deferred Tax Liability £'000
At 1 January 2021	58
Deferred tax charge to I/S for the period	32
At 31 December 2021	<u>90</u>
At 1 January 2022	90
Deferred tax charge to I/S for the period	3
At 31 December 2022	<u>93</u>

Notes to the financial statements for the year ended 31 December 2022 (continued)

18. Deferred tax (continued)

Deferred tax	2022 £'000	2021 £'000
Deferred tax liabilities due after more than 12 months	93	90
	<u>93</u>	<u>90</u>

19. Post-employment benefits Defined contribution scheme

The company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2022 £'000	2021 £'000
Current period contributions	231	235
	<u>231</u>	<u>235</u>

Contributions amounting to £40,000 (31 December 2021: £40,000) were payable to the scheme at the end of the financial year and are included in creditors.

20. Called up share capital

	2022 £'000	2021 £'000
Allotted and fully paid		
4 (2021: 4) ordinary shares of £0.25 (2021: £0.25)	-	-
	<u>-</u>	<u>-</u>

All shares rank pari passu in all respects.

21. Contingent liabilities

The company, together with its subsidiary undertakings has guaranteed the borrowings of all group undertakings for facilities held with each of its bankers. One of the guarantees is secured by a fixed and floating charge over the assets of the company.

22. Controlling parties

The immediate parent undertaking is GK Foods (UK) Limited, incorporated in the UK.

The ultimate parent company and controlling party is GraceKennedy Limited, a company incorporated in Jamaica.

The smallest and largest group in which the results of the company are consolidated is that headed by GraceKennedy Limited, incorporated in Jamaica. The consolidated financial statements of this company are available to the public and may be obtained from the Chief Corporate Secretary, GraceKennedy Limited, 73 Harbour Street, Kingston, Jamaica.