

Registered number: 02052519

S.K. CHILLED FOODS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 SEPTEMBER 2019

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S.K. CHILLED FOODS LIMITED

COMPANY INFORMATION

Directors	D R Roberts J Faulkner D Graham A Harvey D Hodgson N Horsman (resigned 27 January 2020) R D Shippee
Company secretary	R D Shippee
Registered number	02052519
Registered office	5 Fleet Place London EC4M 7RD
Independent auditors	Ecovis Wingrave Yeats LLP Chartered Accountants & Statutory Auditor Waverley House 7-12 Noel Street London W1F 8GQ
Bankers	Royal Bank of Scotland 2nd Floor 1 Trinity Gardens Broad Chare Newcastle upon Tyne NE1 2HF
Solicitors	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD

S.K. CHILLED FOODS LIMITED

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S.K. CHILLED FOODS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 28 SEPTEMBER 2019

Introduction

The directors present their Strategic Report on the Company for the year ended 28 September 2019.

Business review

The Directors are pleased to report that the company continued to trade profitably and further strengthened its market leading position.

New customer wins and new product gains were achieved and, as in previous years, the business once again invested in improvements to our infrastructure as well as further enhancing our manufacturing processes. New product development and innovation continues to be a key area of focus and has achieved significant success for the business, with product launches and product improvements taking place across all of our key markets and individual trading categories.

The continuous development of our people remained a high priority for the company and in house and external training featured heavily during the year, with particular emphasis on technical integrity and quality – the key areas that the company continues to focus on.

Careful management of our operating costs remains a key focus for the business and the year was successful in controlling and maximising operational efficiencies and outputs, both of which showed improvement over the previous year. Although input costs saw inflation, (particularly raw materials), and are forecast to rise further, the directors are confident that the company is well placed in our key markets and that further profitable growth can be achieved.

Customer relationships remain strong and it is pleasing to note that all quality audits from customers were once again rated as 'Green' during the year. Service levels also were a highlight with a 99.5% order fulfilment achieved across the year.

Principal risks and uncertainties

The liquidity risk in respect of bank balances is managed by maintaining the required balances through inter-company funding and continued use of the bank financing function.

Prudent liquidity risk management requires that the company maintains sufficient cash to be able to pay creditors as and when they fall due. Trade debtors are managed in respect of credit and cash flow risk by reviewing the credit terms extended to customers and monitoring amounts outstanding for time and credit limits.

As noted in the Directors' Report, management acknowledges there remains uncertainty of the impact of COVID-19, specifically relating to the food service industry and retailers' deli counters. To date the company has experienced minimal effect due to COVID-19.

S.K. CHILLED FOODS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

Financial key performance indicators

The key financial performance indicators for the year are as follows:

The key financial performance indicators for the year are as follows: sales of £71,480,000 (2018 - £69,085,000), gross profit of £17,907,000 (2018 - £18,646,000) and profit before tax of £1,556,000 (2018 - £3,138,000).

We also place emphasis on non-financial performance indicators such as quality standards, service levels and sourcing of raw materials. There is no question however that maintenance of margins continues to be challenging with significant cost increases being experienced towards the end of the year.

Our employees continue to be essential to our future success and we continue to invest in training, education and development of our people throughout the organisation. The coming year will see further people development initiatives being implemented across all functions and job roles.

We again thank each team member for their, expertise, continued enthusiasm and dedicated effort for the business this year.

This report was approved by the board on *30th June 2020* and signed on its behalf.



D Hodgson
Director

S.K. CHILLED FOODS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 28 SEPTEMBER 2019

The directors present their report and the financial statements for the year ended 28 September 2019.

Principal activity

The principal activity of the company during the year was the manufacture of chilled and frozen ready meals and snacks sold to the retail, food service and business to business market sectors in the UK.

Dividends

The directors have not recommended a dividend.

Directors

The directors who served during the year were:

D R Roberts
J Faulkner
D Graham
A Harvey
D Hodgson
N Horsman (resigned 27 January 2020)
R D Shippee

Donations

During the year the company made charitable contributions amounting to £10,250 (2018 - £11,025)

Financial instruments

The company's principal financial instruments comprise bank balances, intercompany balances, trade creditors and trade debtors. The main purpose of these instruments is to raise funds for and to finance the company's operations.

Research and development activities

The company continues to invest in research and development into new products.

Employee involvement

During the year, the policy of providing employees with information about the company has continued through regular updates to all staff.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Post balance sheet events

The impact of COVID-19 affecting the company since the year end has been reviewed within the Going Concern section of the Directors' Report. There were no other significant events affecting the Group since the year end.

S.K. CHILLED FOODS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

Going Concern

The Company has made profits for the year of £1,704,000 (2018 - £3,034,000) and has net assets of £14,593,000 (2018 - £12,889,000). The Company meets its day to day working capital requirements by drawing down on their bank financing facility and the company fully expects to be able to operate within the bank facilities currently agreed for the next 12 months.

As noted in the Strategic Report, management acknowledges that there remains uncertainty of the impact of COVID-19 on the Company's 2020 and future operations, however, to date, the impact has been minimal and the financial statements do not include nor require any adjustments that may result from the outcome of this uncertainty.

Management are therefore comfortable that preparing the accounts on the going concern basis is appropriate.

Matters covered in the strategic report

Disclosures that are considered by the directors to be of strategic importance will be contained in the Strategic report.

Disclosure of information to auditors

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

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

Auditors

The auditors, Ecovis Wingrave Yeats LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *30th June 2020* and signed on its behalf.



D Hodgson
Director

S.K. CHILLED FOODS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

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

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

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

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

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

S.K. CHILLED FOODS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.K. CHILLED FOODS LIMITED

Opinion

We have audited the financial statements of S.K. Chilled Foods Limited (the 'Company') for the year ended 28 September 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

S.K. CHILLED FOODS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.K. CHILLED FOODS LIMITED
(CONTINUED)**

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

S.K. CHILLED FOODS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF S.K. CHILLED FOODS LIMITED
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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

DocuSigned by:


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Stuart Hinds (Senior statutory auditor)

for and on behalf of

Ecovis Wingrave Yeats LLP

Chartered Accountants & Statutory Auditor

Waverley House

7-12 Noel Street

London

W1F 8GQ

Date: 9 July 2020

S.K. CHILLED FOODS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	71,480	69,085
Cost of sales		(53,573)	(50,439)
Gross profit		17,907	18,646
Distribution costs		(2,824)	(2,811)
Administrative expenses		(13,437)	(12,611)
Other operating income	5	-	25
Operating profit	6	1,646	3,249
Interest payable and expenses	10	(90)	(111)
Profit before tax		1,556	3,138
Tax on profit	11	148	(104)
Profit for the financial year		1,704	3,034
Total comprehensive income for the year		1,704	3,034

The notes on pages 12 to 31 form part of these financial statements.

S.K. CHILLED FOODS LIMITED
REGISTERED NUMBER: 02052519

BALANCE SHEET
AS AT 28 SEPTEMBER 2019

		28 September 2019 £000	29 September 2018 £000
	Note		
Fixed assets			
Intangible fixed assets	12	32	42
Tangible fixed assets	13	11,899	10,772
		<u>11,931</u>	<u>10,814</u>
Current assets			
Stocks	14	4,617	4,493
Debtors: amounts falling due within one year	15	9,877	10,171
Cash at bank and in hand		58	196
		<u>14,552</u>	<u>14,860</u>
Creditors: amounts falling due within one year	16	(10,232)	(11,445)
Net current assets		<u>4,320</u>	<u>3,415</u>
Total assets less current liabilities		<u>16,251</u>	<u>14,229</u>
Creditors: amounts falling due after more than one year	17	(1,405)	(1,200)
Provisions for liabilities			
Deferred tax	23	(253)	(140)
		<u>(253)</u>	<u>(140)</u>
Net assets		<u><u>14,593</u></u>	<u><u>12,889</u></u>
Capital and reserves			
Called up share capital	26	199	199
Share premium account		17,232	17,232
Profit and loss account		(2,838)	(4,542)
Shareholders funds		<u><u>14,593</u></u>	<u><u>12,889</u></u>

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



D Hodgson 30 June 2020
 Director

The notes on pages 12 to 31 form part of these financial statements.

S.K. CHILLED FOODS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 October 2017	199	17,232	(7,576)	9,855
Comprehensive income for the period				
Profit for the period	-	-	3,034	3,034
Total comprehensive income for the period	-	-	3,034	3,034
At 30 September 2018	199	17,232	(4,542)	12,889
Comprehensive income for the year				
Profit for the year	-	-	1,704	1,704
Total comprehensive income for the year	-	-	1,704	1,704
At 28 September 2019	199	17,232	(2,838)	14,593

The notes on pages 12 to 31 form part of these financial statements.

S.K. CHILLED FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019

1. General information

S.K. Chilled Foods Limited is a private company, limited by shares, domiciled in England and Wales, registration number 02052519. The registered office is 5 Fleet Place, London, EC4M 7RD. The principal place of business is Wellington House, Wynyard Avenue, Wynyard, Stockton-on-Tees, TS22 5TB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Specialty Foods Group Limited as at 30 September 2019 and these financial statements may be obtained from Companies House.

2.3 Going concern

The Company has made profits for the year of £1,704,000 (2018 - £3,034,000) and has net assets of £14,593,000 (2018 - £12,889,000). The Company meets its day to day working capital requirements by drawing down on their bank financing facility and the company fully expects to be able to operate within the bank facilities currently agreed for the next 12 months.

As noted in the Strategic Report, management acknowledges that there remains uncertainty of the impact of COVID-19 on the Company's 2020 and future operations, however, to date, the impact has been minimal and the financial statements do not include nor require any adjustments that may result from the outcome of this uncertainty.

Management are therefore comfortable that preparing the accounts on the going concern basis is appropriate.

S.K. CHILLED FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 SEPTEMBER 2019

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

No depreciation is charged on assets in the course of construction. Depreciation on these assets is charged from the date the asset is transferred to the appropriate tangible fixed asset category.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% - 20%
Leasehold property improvements	- Length of lease
Plant and machinery	- 10% - 20%
Fixtures and fittings	- 20% - 25

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

2. Accounting policies (continued)**2.6 Stocks**

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

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

2.7 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

2. Accounting policies (continued)

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.9 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

2. Accounting policies (continued)

2.11 Invoice financing

Trade debts issued to non-related companies are invoice financed, up to a maximum of 85% of eligible debts. Invoice financing is included within creditors falling due within one year as other creditors.

Service charges and discounting costs are charged to the Profit and Loss Account in the period to which they relate.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.13 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

3. Judgments in applying accounting policies and key sources of estimation uncertainty**Tangible fixed assets depreciation**

Fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual values consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Tangible fixed assets impairment

Management continually use judgement to ascertain whether there are indicators of impairment of the company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Stock provision

Management are required to assess the valuation of stock and whether the valuation is appropriate. Where necessary, stock provisions are needed to accurately estimate the value of stock held. The stock figure is reviewed annually and a provision included in the closing value of stock where necessary.

Bad debt provision

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

4. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company.

5. Other operating income

	2019	2018
	£000	£000
Other operating income	-	25
	<u>-</u>	<u>25</u>
	<u>-</u>	<u>25</u>

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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6. Operating profit

The operating profit is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	1,414	1,456
Other operating lease rentals	380	325
Amortisation of intangible assets	10	10
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	27	26
Defined contribution pension cost	394	271
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	27	26
	<u> </u>	<u> </u>
Fees payable to the Company's auditor and its associates in respect of:		
All other services	7	17
	<u> </u>	<u> </u>
	<u>7</u>	<u>17</u>
	<u> </u>	<u> </u>

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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8. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£000	£000
Wages and salaries	16,656	15,214
Social security costs	1,397	1,256
Cost of defined contribution scheme	395	271
	<u>18,448</u>	<u>16,741</u>

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

	2019	2018
	No.	No.
Production staff	716	643
Administrative staff	38	37
Management staff	3	3
	<u>757</u>	<u>683</u>

9. Directors' and key management personnel remuneration

	2019	2018
	£000	£000
Directors' emoluments	872	733
Company contributions to defined contribution pension schemes	36	34
	<u>908</u>	<u>767</u>

During the year retirement benefits were accruing to 4 directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £357,100 (2018 - £165,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,200 (2018 - £9,900).

Key management personnel is considered to be limited to the directors.

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**NOTES TO THE FINANCIAL STATEMENTS
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10. Interest payable and similar expenses

	2019	2018
	£000	£000
Bank interest payable	80	104
Other loan interest payable	-	3
Finance leases and hire purchase contracts	10	4
	90	111

11. Taxation

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	108	186
Adjustments in respect of previous periods	(152)	(5)
Research and development tax credits	(216)	(175)
Total current tax	(260)	6
Deferred tax		
Origination and reversal of timing differences	98	69
Adjustment in respect of prior periods	14	29
Total deferred tax	112	98
Taxation on (loss)/profit on ordinary activities	(148)	104

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**NOTES TO THE FINANCIAL STATEMENTS
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11. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year is lower than (*2018 - lower than*) the standard rate of corporation tax in the UK of 19% (*2018 - 19%*). The differences are explained below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	1,556	3,139
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2018 - 19%</i>)	296	596
Effects of:		
Fixed asset differences	1	123
R&D expenditure	41	28
Adjustments to tax charge in respect of prior periods	(152)	(5)
Adjustments to tax charge in respect of previous periods - deferred tax	14	29
Adjust closing deferred tax to average rate of 19.00%	(30)	(16)
R&D expenditure credits	(216)	(175)
Adjust opening deferred tax to average rate of 19.00%	18	8
Group relief	(120)	(484)
Total tax charge for the year/period	(148)	104

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12. Intangible assets

	Development £000
Cost	
At 30 September 2018	52
At 28 September 2019	52
Amortisation	
At 30 September 2018	10
Charge for the year	10
At 28 September 2019	20
Net book value	
At 28 September 2019	32
At 29 September 2018	42

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**NOTES TO THE FINANCIAL STATEMENTS
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13. Tangible fixed assets

	Freehold property £000	Leasehold property improvements £000	Plant and machinery £000	Fixtures and fittings £000
Cost or valuation				
At 30 September 2018	6,820	6,013	16,481	1,007
Additions	74	200	449	100
Transfers between classes	1,181	-	1,253	-
At 28 September 2019	<u>8,075</u>	<u>6,213</u>	<u>18,183</u>	<u>1,107</u>
Depreciation				
At 30 September 2018	3,509	3,428	12,995	921
Charge for the year on owned assets	321	362	702	29
At 28 September 2019	<u>3,830</u>	<u>3,790</u>	<u>13,697</u>	<u>950</u>
Net book value				
At 28 September 2019	<u>4,245</u>	<u>2,423</u>	<u>4,486</u>	<u>157</u>
At 29 September 2018	<u>3,311</u>	<u>2,585</u>	<u>3,486</u>	<u>86</u>

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

13. Tangible fixed assets (continued)

	Assets in the course of construction £000	Total £000
Cost or valuation		
At 30 September 2018	1,304	31,625
Additions	1,718	2,541
Transfers between classes	(2,434)	-
At 28 September 2019	588	34,166
Depreciation		
At 30 September 2018	-	20,853
Charge for the year on owned assets	-	1,414
At 28 September 2019	-	22,267
Net book value		
At 28 September 2019	588	11,899
At 29 September 2018	1,304	10,772

Included within the net book value of £11,899,000 (2018 - £10,772,000) is £999,000 (2018 - £111,000) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of assets held under finance leases amounted to £294,000 (2018 - £18,000).

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

14. Stocks

	28 September 2019 £000	<i>29 September 2018 £000</i>
Raw materials and consumables	1,361	1,268
Work in progress	1,635	2,010
Finished goods and goods for resale	1,621	1,215
	<u>4,617</u>	<u>4,493</u>

15. Debtors

	28 September 2019 £000	<i>29 September 2018 £000</i>
Trade debtors	8,354	8,582
Amounts owed by group undertakings	2	-
Other debtors	819	881
Prepayments and accrued income	702	708
	<u>9,877</u>	<u>10,171</u>

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

16. Creditors: Amounts falling due within one year

	28	29
	September	September
	2019	2018
	£000	£000
Bank loans	400	400
Other loans	765	83
Trade creditors	5,673	7,008
Amounts owed to group undertakings	387	372
Corporation tax	-	6
Other taxation and social security	430	365
Obligations under finance lease and hire purchase contracts	195	15
Other creditors	258	246
Accruals and deferred income	2,124	2,950
	<u>10,232</u>	<u>11,445</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	28	29
	September	September
	2019	2018
	£000	£000
Obligations under finance lease and hire purchase contracts	195	15
Bank loans	400	400
Bank financing facility	765	83
	<u>1,360</u>	<u>498</u>

Included within creditors are amounts owed to the bank of £765,000 (2018 - £83,000) in respect of a bank financing facility. There is also a bank loan of £1,200,000, with £400,000 (2018 - £400,000) being due in less than one year and £800,000 (2018 - £1,200,000) being due in greater than one year.

The bank financing facility and bank loan are both secured by a fixed and floating charge over the company's assets.

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

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

	28 September 2019 £000	29 September 2018 £000
Bank loans	800	1,200
Net obligations under finance leases and hire purchase contracts	605	-
	<u>1,405</u>	<u>1,200</u>

18. Loans

Analysis of the maturity of loans is given below:

	28 September 2019 £000	29 September 2018 £000
Amounts falling due within one year		
Bank loans	400	400
Bank financing facility	765	83
	<u>1,165</u>	<u>483</u>
Amounts falling due 1-2 years		
Bank loans	400	400
Amounts falling due 2-5 years		
Bank loans	400	800
	<u>1,965</u>	<u>1,683</u>

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 SEPTEMBER 2019**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	28 September 2019 £000	29 September 2018 £000
Within one year	195	15
Between 1-5 years	605	-
	<u>800</u>	<u>15</u>

20. Capital commitments

At 28 September 2019 the Company had capital commitments as follows:

	28 September 2019 £000	29 September 2018 £000
Contracted for but not provided in these financial statements	317	993
	<u>317</u>	<u>993</u>

21. Pension commitments

The pension charge for the year represents contributions payable by the Company to defined contribution personal pension schemes and amounted to £394,000 (2018 - £271,000). Contributions amounting to £60,000 (2018 - £36,000) were outstanding at the year end.

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22. Commitments under operating leases

At 28 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	28 September 2019 £000	29 September 2018 £000
Not later than 1 year	616	493
Later than 1 year and not later then 5 years	1,207	953
Later than 5 years	93	241
	<u>1,916</u>	<u>1,687</u>

23. Deferred taxation

	2019 £000	2018 £000
At beginning of year	(140)	(42)
Charged to profit or loss	(113)	(98)
At end of year	<u>(253)</u>	<u>(140)</u>

The provision for deferred taxation is made up as follows:

	28 September 2019 £000	29 September 2018 £000
Accelerated capital allowances	(253)	(146)
Tax losses carried forward	-	6
	<u>(253)</u>	<u>(140)</u>

S.K. CHILLED FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Contingencies

The company is party to a cross group guarantee with the group's bankers under which there is an aggregate group potential liability of £1,965,000 (2018 - £1,683,000) at the balance sheet date. Of the potential liability, S.K. Chilled Foods Limited is currently the only member of the group with liabilities that are covered by this cross group guarantee.

An inter-company guarantee exists between the Company, Specialty Foods Group Limited, Specialty Chilled Foods Limited, Zorba Delicacies Limited and ZD Holdings Limited.

The Company has a mortgage debenture in favour of RBS to support their invoice funding line. There is a fixed and floating charge over the Company's assets.

The Company has a legal mortgage in favour of National Westminster Bank to support their bank loans. There is a floating charge over the Company's assets.

The Company has a mortgage debenture in favour of National Westminster Bank to support their ancillary facilities. There is a fixed and floating charge over the Company's assets.

25. Related party transactions

During the year, the Company made purchases totalling £1,125,000 (2018 - £975,000) from related parties. At the year end, an amount of £387,000 (2018 - £372,000) was outstanding. The companies are related parties by virtue of common control. The amounts are unsecured, interest free and repayable on demand.

During the year, the Company made recharges totalling £49,000 (2018 - £29,000) to related parties. At the year end, an amount of £Nil (2018 - £Nil) was outstanding. The companies are related parties by virtue of common control. The amounts are unsecured, interest free and repayable on demand.

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**NOTES TO THE FINANCIAL STATEMENTS
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26. Share capital

	28 September 2019 £000	29 September 2018 £000
Allotted, called up and fully paid		
198,733 (2018 - 198,733) Ordinary shares of £1.00 each	199	199

27. Controlling party

The immediate parent company is Specialty Chilled Foods Group Limited, a company incorporated in England and Wales whose registered office is 5 Fleet Place, London, EC4M 7RD.

The results of the company are consolidated into Specialty Foods Group Limited and are available for download from Companies House in England & Wales.

The ultimate parent company is Entrepreneurial Food Group LLC, a company incorporated in the United States whose registered office is 4100 Newport Place Drive, Suite 400, Newport Beach, CA 92660, United States.