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Strategic report

Principal activity and business review

The principal activity of the Company is the production and sale of beef and lamb products predominantly for the UK market.

Turnover for the year was £53,580,150 (2016: £57,564,964).

Trading conditions are very challenging, particularly for the company’s traditional high street butcher customers, which has had a detrimental effect on sales volumes. The Company continued to utilise the JW Galloway Group demand in order to operate at a consistent level of throughput, enabling optimisation of operational resources and this enabled the Company to produce efficiently and deliver our customers the quality product which the Company is renowned for.

The main financial key performance indicators include operating profit, sales per employee and the level of working capital.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>£418,000</td>
<td>£972,000</td>
<td>(£554,000)</td>
</tr>
<tr>
<td>Sales per employee</td>
<td>£409,008</td>
<td>£464,234</td>
<td>(£55,226)</td>
</tr>
<tr>
<td>Working capital</td>
<td>£1,899,000</td>
<td>£2,670,000</td>
<td>(£771,000)</td>
</tr>
</tbody>
</table>

The principal risks and uncertainties affecting the business include the following:

- Livestock availability and pricing: the company is exposed to the risk of reduced availability of livestock and the consequent impact on market prices. To mitigate this the company has continued to maintain historically strong relationships with its farmer producers and with ANM Group, Scotland’s largest farmer consortium and the company’s minority shareholder. Membership of the JW Galloway Group gives access to a wider network of producers and additional procurement resource.

- The UK food sector remains very competitive and price sensitive. The company works closely with its existing customers to offer a range of quality products which represent value for money, whilst looking to utilise established JW Galloway Group relationships in order to develop new routes to market.

By order of the board

JR Galloway
Director

The Abattoir
North Street
Inverurie
Aberdeenshire
AB51 4TL

3.1.2017
Directors’ report

The directors have pleasure in submitting their annual report and audited financial statements for the 52 week period ended 26 February 2017.

Directors
The directors who held office during the period were as follows:

JR Galloway
A Kirkbright
SC Dowling

Under the Articles of Association of the Company, none of the directors are required to retire by rotation.

Financial
The profit and loss account on page 6 gives details of the results for the financial period to be taken to reserves.
The directors do not recommend payment of a dividend.

Political donations
The company made no political donations or incurred any political expenditure during the year.

Financial instruments
The Company does not use complex financial instruments.

Disclosure of information to auditors
The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the company’s auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company’s auditors are aware of that information.

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

JR Galloway
Director

The Abattoir
North Street
Inverurie
Aberdeenshire
AB51 4TL
3/8/2017
Statement of directors’ responsibilities in respect of the directors’ Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
• make judgements and 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; 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 keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.
Independent auditor's report to the members of Scotbeef Inverurie Limited

We have audited the financial statements of Scotbeef Inverurie Limited for the 52 week period ended 26 February 2017 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s web-site at www.frc.org.uk/auditscopeprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 26 February 2017 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors’ Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors’ report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.
Independent auditor’s report to the members of Scotbeef Inverurie Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Date: 3 August 2017
### Profit and Loss Account and Other Comprehensive Income

**for the 52 week period ended 26 February 2017**

<table>
<thead>
<tr>
<th>Note</th>
<th>52 week period ended 26 February</th>
<th>52 week period ended 28 February</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Turnover</td>
<td>53,580</td>
<td>57,565</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(51,239)</td>
<td>(54,680)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,341</td>
<td>2,885</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(1,217)</td>
<td>(1,251)</td>
</tr>
<tr>
<td>Administrative expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal</td>
<td>(592)</td>
<td>(662)</td>
</tr>
<tr>
<td>Exceptional</td>
<td>(116)</td>
<td>-</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>418</td>
<td>972</td>
</tr>
<tr>
<td>Interest payable and similar charges</td>
<td>6</td>
<td>(60) (71)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>358</td>
<td>901</td>
</tr>
<tr>
<td>Taxation on profit</td>
<td>(97)</td>
<td>(177)</td>
</tr>
<tr>
<td>Profit for the financial period</td>
<td>261</td>
<td>724</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the financial period</td>
<td>261</td>
<td>724</td>
</tr>
</tbody>
</table>

All amounts relate to continuing activities.

The company has no items of other comprehensive income other than the results for the current and prior financial periods as set out above.

The notes on pages 9 to 20 form an integral part of these financial statements.
## Balance sheet

**at 26 February 2017**

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2017 £000</th>
<th>2016 £000</th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>8</td>
<td>420</td>
<td></td>
<td></td>
<td>520</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>9</td>
<td>1,856</td>
<td>2,025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>10</td>
<td>3,315</td>
<td>4,483</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td>11</td>
<td>334</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due within one year</strong></td>
<td>12</td>
<td>(3,606)</td>
<td>(3,840)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td>1,899</td>
<td>2,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td></td>
<td>2,319</td>
<td>3,190</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due after more than one year</strong></td>
<td>12</td>
<td>(65)</td>
<td>(1,197)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>2,254</td>
<td>1,993</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>13</td>
<td>1,601</td>
<td>1,601</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit and loss account</td>
<td></td>
<td>653</td>
<td>392</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td></td>
<td>2,254</td>
<td>1,993</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 9 to 20 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 3/8/2017 and were signed on its behalf by:

\[Signature\]

**JR Galloway**  
Director

Company registered number: SC432208
### Statement of changes in equity

**at 26 February 2017**

<table>
<thead>
<tr>
<th>Note</th>
<th>Called up share capital £000</th>
<th>Profit and loss account £000</th>
<th>Total equity £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 2 March 2015</strong></td>
<td>1,601</td>
<td>(332)</td>
<td>1,269</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit in the period</td>
<td>-</td>
<td>724</td>
<td>724</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>-</td>
<td>724</td>
<td>724</td>
</tr>
<tr>
<td><strong>Balance at 1 March 2016</strong></td>
<td>1,601</td>
<td>392</td>
<td>1,993</td>
</tr>
<tr>
<td><strong>Balance at 1 March 2016</strong></td>
<td>1,601</td>
<td>392</td>
<td>1,993</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit in the period</td>
<td>-</td>
<td>261</td>
<td>261</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>-</td>
<td>261</td>
<td>261</td>
</tr>
<tr>
<td><strong>Balance at 26 February 2017</strong></td>
<td>1,601</td>
<td>653</td>
<td>2,254</td>
</tr>
</tbody>
</table>

The notes on pages 9 to 20 form an integral part of these financial statements.
Notes
(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Sco beef Inverurie Limited (the “Company”) is a company limited by shares and incorporated and domiciled in Aberdeenshire, UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company’s parent undertaking, J W Galloway Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of J. W. Galloway Limited are available to the public and may be obtained from Longleys Farm, Bridge of Allan, Stirlingshire, FK9 4NE. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

The financial statements are prepared on the historical cost basis.

Going concern

The factors likely to affect the company’s future performance and financial position are set out in the strategic report on pages 1 and 2.

The company is supported by JW Galloway Limited, its majority shareholder and operates within the JW Galloway Group revolving credit and overdraft facilities. The group directors have prepared profit and cash flow forecasts for the group including the company for the period ending 12 months from the date of approval of these accounts. These projections demonstrate that even with reasonable downside sensitivities, the company can operate within its existing facilities. On this basis the directors continue to prepare the accounts on a going concern basis.
Notes (continued)

1 Accounting policies (continued)

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on assets qualifying for government grants is calculated on the full cost of such assets.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Category of asset</th>
<th>Rate per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant, machinery and fittings</td>
<td>10%-20%</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>17%-25%</td>
</tr>
</tbody>
</table>

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset’s future economic benefits.
I Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or (“CGU”) that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
Notes (continued)

1 Accounting policies (continued)

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies
Transactions in foreign currencies are translated to the Company’s functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Employee benefits
The company provides benefits to certain employees through individual defined contribution money purchase pension plans. Pension costs are charged to the profit and loss account in the period to which contributions relate.

Expenses
Interest receivable and Interest payable
Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method

Turnover
Turnover represents the value, net of value added tax, derived from the slaughter of lambs and processing of meat. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty.
Notes (continued)

2 Turnover

<table>
<thead>
<tr>
<th></th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February</td>
<td>28 February</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Analysis of turnover by geographical market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>52,224</td>
<td>56,302</td>
</tr>
<tr>
<td>Other European countries</td>
<td>1,356</td>
<td>1,263</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>53,580</td>
<td>57,565</td>
</tr>
</tbody>
</table>

3 Expenses and auditors remuneration

<table>
<thead>
<tr>
<th></th>
<th>52 week period ended</th>
<th>52 Week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February</td>
<td>1 March</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Profit/(loss) on ordinary activities before taxation is stated after charging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditors' remuneration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of these financial statements</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Exceptional Cost – Asset Impairment</td>
<td>116</td>
<td>-</td>
</tr>
</tbody>
</table>
Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February 2017</td>
<td>28 February 2016</td>
</tr>
<tr>
<td>Slaughter, manufacturing and processing of meat</td>
<td>116</td>
<td>108</td>
</tr>
<tr>
<td>Administrative</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>131</td>
<td>124</td>
</tr>
</tbody>
</table>

The aggregate payroll costs of these persons were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February 2017</td>
<td>28 February 2016</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>3,282</td>
<td>2,775</td>
</tr>
<tr>
<td>Social security costs</td>
<td>299</td>
<td>289</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,606</td>
<td>3,089</td>
</tr>
</tbody>
</table>

Defined contributions scheme

Employees of the company are members of a defined contribution scheme. The pension cost charge for the period for the defined contribution scheme amounted to £25,397 (2016: £24,908).

5 Directors’ emoluments

The directors receive no remuneration in respect of services to the company.

6 Interest payable and similar charges

<table>
<thead>
<tr>
<th>Category</th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February 2017</td>
<td>28 February 2016</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Interest on bank facility</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>Interest on shareholder loans</td>
<td>55</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>71</td>
</tr>
</tbody>
</table>
Notes (continued)

7 Taxation

<table>
<thead>
<tr>
<th></th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February</td>
<td>28 February</td>
</tr>
<tr>
<td>Corporation tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- current year</td>
<td>£100</td>
<td>£163</td>
</tr>
<tr>
<td>- prior year</td>
<td>(£4)</td>
<td>(€)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- current year</td>
<td>(€6)</td>
<td>17</td>
</tr>
<tr>
<td>- prior year</td>
<td>7</td>
<td>(3)</td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>97</td>
<td>177</td>
</tr>
</tbody>
</table>

The corporation tax credit for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below.

<table>
<thead>
<tr>
<th></th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February</td>
<td>28 February</td>
</tr>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Profit on ordinary activities before tax</td>
<td>261</td>
<td>724</td>
</tr>
<tr>
<td>Total tax expense</td>
<td>97</td>
<td>177</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit excluding taxation</td>
<td>358</td>
<td>901</td>
</tr>
<tr>
<td>Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)</td>
<td>72</td>
<td>180</td>
</tr>
<tr>
<td>Effects of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Adjustments in respect of prior year</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax charge for period</td>
<td>97</td>
<td>177</td>
</tr>
</tbody>
</table>
7 Taxation (continued)

The company has recognised a deferred tax asset of £45,000 comprising:

<table>
<thead>
<tr>
<th></th>
<th>52 week period ended</th>
<th>52 week period ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 February</td>
<td>28 February</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>At start of period</td>
<td>46</td>
<td>60</td>
</tr>
<tr>
<td>Prior year</td>
<td>(7)</td>
<td>3</td>
</tr>
<tr>
<td>Movement in period</td>
<td>6</td>
<td>(17)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At end of period</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysed as:</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Depreciation in excess of Capital Allowances</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>45</td>
<td>46</td>
</tr>
</tbody>
</table>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 26 February 2017 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.
Notes (continued)

8 Tangible fixed assets

<table>
<thead>
<tr>
<th></th>
<th>Plant and machinery and fittings £000</th>
<th>Motor Vehicles £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of period</td>
<td>490</td>
<td>489</td>
<td>979</td>
</tr>
<tr>
<td>Additions</td>
<td>174</td>
<td>17</td>
<td>191</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(16)</td>
<td>(16)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(129)</td>
<td></td>
<td>(129)</td>
</tr>
<tr>
<td><strong>At end of period</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>535</td>
<td>490</td>
<td>1,025</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of period</td>
<td>214</td>
<td>245</td>
<td>459</td>
</tr>
<tr>
<td>Charge for period</td>
<td>75</td>
<td>88</td>
<td>163</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(13)</td>
<td></td>
<td>(13)</td>
</tr>
<tr>
<td><strong>At end of period</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>276</td>
<td>329</td>
<td>605</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 26 February 2017</td>
<td>259</td>
<td>161</td>
<td>420</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 2 March 2016</td>
<td>276</td>
<td>244</td>
<td>520</td>
</tr>
</tbody>
</table>

Included in the total net book value of motor vehicles are assets held under finance leases of £103,889 (2016: £154,100). Depreciation for the period on these assets is £29,360 (2016: £46,406).

9 Stocks

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock and raw materials</td>
<td>1,856</td>
<td>2,025</td>
</tr>
</tbody>
</table>

Raw materials recognised as cost of sales in the year amounted to £45,774,000 (2016: £49,545,000).

10 Debtors

<table>
<thead>
<tr>
<th></th>
<th>2017 £000</th>
<th>2016 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade debtors</td>
<td>2,916</td>
<td>3,508</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>41</td>
<td>72</td>
</tr>
<tr>
<td>Other debtors</td>
<td>107</td>
<td>49</td>
</tr>
<tr>
<td>Deferred tax (note 7)</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Amounts owed by related parties</td>
<td>206</td>
<td>808</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,315</td>
<td>4,483</td>
</tr>
</tbody>
</table>
Notes (continued)

11 Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Cash</td>
<td>334</td>
<td>2</td>
</tr>
</tbody>
</table>

12 Creditors

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Due within one year</td>
<td>Due after one year</td>
<td>Due within one year</td>
<td>Due after one year</td>
</tr>
<tr>
<td>Shareholder loan</td>
<td>1,156</td>
<td>-</td>
<td>-</td>
<td>1,101</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>-</td>
<td>-</td>
<td>741</td>
<td>-</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>1,961</td>
<td>-</td>
<td>2,563</td>
<td>-</td>
</tr>
<tr>
<td>Amounts owed to related parties</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax and social security</td>
<td>53</td>
<td>-</td>
<td>68</td>
<td>-</td>
</tr>
<tr>
<td>Other creditors and accruals</td>
<td>288</td>
<td>-</td>
<td>260</td>
<td>-</td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>100</td>
<td>-</td>
<td>163</td>
<td>-</td>
</tr>
<tr>
<td>Finance lease creditor</td>
<td>30</td>
<td>65</td>
<td>45</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>3,606</td>
<td>65</td>
<td>3,840</td>
<td>1,197</td>
</tr>
</tbody>
</table>

Debt can be analysed as falling due:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>In one year or less</td>
<td>1,186</td>
<td>786</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>65</td>
<td>1,197</td>
</tr>
<tr>
<td></td>
<td>1,251</td>
<td>1,983</td>
</tr>
</tbody>
</table>

Loans from shareholders are repayable in December 2017 and attract interest at 5% pa.
All bank borrowings are secured as explained in note 14.
Balances due on finance leases are secured upon the assets to which they relate.
The total value of future minimum lease payments due under the above non cancellable finance leases.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Between 2 and 5 years</td>
<td>65</td>
<td>126</td>
</tr>
<tr>
<td></td>
<td>95</td>
<td>141</td>
</tr>
</tbody>
</table>
Notes (continued)

13 Called up share capital

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allotted, called up and fully paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,601,000 ordinary shares of £1 each</td>
<td>1,601</td>
<td>1,601</td>
</tr>
<tr>
<td>Shares classified in shareholders' funds</td>
<td>1,601</td>
<td>1,601</td>
</tr>
</tbody>
</table>

14 Securities and guarantees

(i) In security of bank borrowings fixed charges have been created over all the company's land and buildings and floating charges have been created over the whole property and undertaking of the company.

(ii) Within the scope of bank borrowing arrangements, JW Galloway Limited, Scotbeef Limited, Scotbeef Inverurie Limited, and Vivers Scottlamb Limited each guarantee to the bank the others' obligations. There was £Nil outstanding on behalf of the other group companies at 26 February 2017 (2016: Nil).

15 Operating leases

Total future minimum lease payments under non-cancellable operating leases.

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings</th>
<th>Plant and machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Less than one year</td>
<td>41</td>
<td>-</td>
</tr>
<tr>
<td>Between 2 and 5 years</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>291</td>
<td>-</td>
</tr>
</tbody>
</table>

16 Ultimate parent undertaking

The ultimate parent undertaking of Scotbeef Inverurie Limited is JW Galloway Limited, which is incorporated in the United Kingdom, and registered in Scotland. The address of JW Galloway Limited is: Longleys Farm, Bridge of Allan, Stirlingshire, FK9 4NE.

17 Related party transactions

During the period the company traded with Scotbeef Limited, buying £613,115 (2016: £115,922) and selling £16,664,829 (2016: £16,155,977) of beef and lamb products, transactions are settled on normal industry commercial terms. At the balance sheet date an outstanding debt of £205,854 (2016: £1,557,361) was owed by Scotbeef Limited to the company and an outstanding debt of £18,260 was owed to JW Galloway Limited from the company.
18 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key accounting judgements in applying the Company’s accounting policies

The directors consider that key accounting judgements are applied in relation to the valuation of stocks, valuation of debtors and depreciation.

The company exercises judgement on the level of stock provisioning based on its understanding of the industry and past experience.

Judgement is exercised when estimating bad debt provision required based on knowledge of customers and historic trends.

Depreciation on tangible fixed assets is charged on a consistent basis as set out in note 1. Judgement is exercised to determine the useful life and residual value of each asset. The assets are depreciated to their residual values over their estimated useful lives.