

Brexit planning update

27th March 2019

Implementation of our BREXIT contingency plan is now complete. We've increased stocks of finished goods from 5 to 6 weeks and have filled 100% of our additional storage with raw material stocks, increasing from 4 to 8 weeks. We're therefore prepared for any outcome.

Our BREXIT contingency plan was covered by [BBC Radio Four](#) on Tuesday 5th March and [The Sunday Times](#) on Sunday 17th March.

18th February 2019

Implementation of our BREXIT contingency plan is now well underway, and we are progressing in line with our plan:

- We increased production volumes to build our stocks of finished goods from 5 to 6 weeks.
- We are increasing raw material stocks from 4 to 8 weeks. We have now started to receive deliveries from our suppliers and stocks will build rapidly over the coming weeks.

Our BREXIT contingency plan was covered by the [BBC](#) on Sunday 3rd February.

11th January 2019

apetito UK has prepared for the uncertainties of BREXIT – whether it occurs with an “EU deal” or a “Hard BREXIT” and “no deal”. Reporting to our Executive Board, our BREXIT planning team has operated since January 2018.

In the event of a “deal” with the EU that involves continued “frictionless trade” in goods, we do not anticipate any problems with continued supply by apetito.

Given the level of uncertainty and political stalemate, we have now implemented our stock contingency plan as set out below. We are very conscious of the sensitivity of our customer base – such as hospitals, care homes, meals on wheels, nurseries and older people in their homes.

No Deal Contingency Plan

We are investing considerable funds and resources to increase raw material and finished good stock to cover for potential disruption in the event of “no deal”.

apetito supports the UK and Irish food and farming industry and has substantially increased its level



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of domestic procurement in recent years. However, a “no deal” has major implications for the entire UK food industry as the food chain is significantly dependent on EU supply.

apetito has now commenced implementation of our contingency plan for “no deal”. We are increasing stocks of “high risk” raw materials and finished goods stocks over the weeks leading up to BREXIT. This plan has been developed from a detailed analysis of our entire raw material and packaging supply chain involving the c. 700 items we purchase to make our products.

- We are now in the process of building raw material stocks with the aim of achieving 8 weeks stock (compared to a normal level of 4 weeks) by the end of March 2019.
- We are building finished good stocks with the aim of increasing the average from 5 weeks to 6 weeks. The focus of raw material stocks will be on:
 - apetito UK manufactured products which contain a chilled (short shelf life) ingredient for which we cannot hold an increased level of raw material stock.
 - The limited number of finished products which are imported.

We have contracted 1200 additional pallet spaces of frozen storage to hold the additional finished and raw material stock.

The Board of apetito has set aside up to £5m in cost and working capital to finance this activity.

Our Team

We employ a substantial number of “EU nationals” in our team in Trowbridge and elsewhere. Naturally we want to retain these valued team members and to date we have not experienced any abnormal losses.

We are currently meeting with every individual to reassure them and address any issues or concerns. apetito will be funding their applications for “settled status”.

We feel confident that this will enable us to retain the vast majority of our team. It is worth noting that the high quality of our employment offer (such as our “Real Living Wage Employer” status), has helped us to achieve a far lower staff turnover than is typical in the food industry.

Costs

In the event of a no deal BREXIT, it is possible that we might see changes in costs arising from market changes, new customs tariffs and/or exchange rates. Should this happen, we would respond accordingly. Please note that we are not predicting such an outcome – simply acknowledging the possibility.

Food Safety & Food Labelling Regulations



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We anticipate that food safety and food labelling regulations will remain unchanged in the short to medium term. Longer term, if authority for food law, food safety and labelling regulations are transferred to the devolved authorities (Scotland, Wales and Northern Ireland) we could see variations to regulations within the UK.

Summary

apetito has been pro-active and we have committed substantial funds and resources in BREXIT risk mitigation. We believe we have addressed the risks as far as possible and we will endeavour to support our customers whatever the circumstances. We will continue to monitor the situation and adjust our plans accordingly.

Paul Freeston
Chairman & CEO, apetito UK & Canada



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