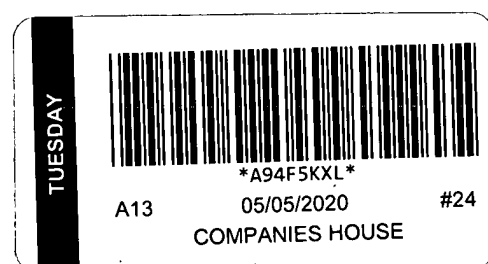


2 Sisters Food Group Limited

Annual report and financial statements

For the 52 weeks ended 27 July 2019

Company registration no. 02826929



2 Sisters Food Group Limited

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2 Sisters Food Group Limited

Directors

B K Boparan
R S Boparan
M P Fletcher (resigned 31 July 2018)
A R McInnes (resigned 16 October 2019)
R K O Kers
K R Packer (resigned 1 November 2018)
C A Tomkinson

Registered office

Trinity Park House
Fox Way
Wakefield
West Yorkshire
WF2 8EE

Bankers

Barclays Bank plc
1 The Headrow
Leeds
LS1 1JS

HSBC
1 Centenary Square
Birmingham
B1 1HQ

Goldman Sachs Bank USA
200 West Street
New York
NY 10282

The Royal Bank of Scotland plc
2 Whitehall Quay
Leeds
LS1 4HR

Independent auditor

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL

2 Sisters Food Group Limited

Strategic report

The directors present their Strategic report for the 52 weeks ended 27 July 2019.

Business overview and principal activities

2 Sisters Food Group Limited ("the Company") is a wholly owned subsidiary of the group headed by Boparan Holdings Limited ("the Group"). The principal activity of the Company is the processing of poultry products. There have not been any significant changes in the Company's principal activity in the period under review or post period end.

The results are shown in the statement of comprehensive income on page 10. The Company has made a loss for the period of £69,333,000 (2018: loss of £78,240,000). The current period result includes exceptional costs of £4,096,000 (2018: £11,849,000).

Trading performance and key performance indicators

The Group monitors all key performance indicators (KPIs) on a divisional basis. Selected Group KPIs relevant for the Company have been calculated as follows:

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Turnover	1,199,633	1,101,681
Gross profit margin	3.4%	3.1%
Pre-restructuring operating loss	(55,123)	(61,321)
Loss before taxation	(80,186)	(88,557)

Turnover for the 52 weeks ended 27 July 2019 was £1,199,633,000 (52 weeks ended 28 July 2018: £1,101,681,000), an increase of 8.9% largely reflecting the underlying trend for market growth within the UK chicken category. Gross margin has also improved as the Company has focused on value over volume.

The Company has exceptional costs of £4,096,000 (2018: £11,849,000) which is explained in detail in note 4.

The pre-restructuring operating loss has improved year on year from a loss of £61,321,000 to a loss of £55,123,000. This is driven by the Company's strategy of rationalising its footprint, including the closure of loss-making sites.

Restructuring costs in the period were £4,096,000 (2018: 11,849,000), leaving an operating loss of £59,219,000 (2018: £73,170,000). See note 4 for further details.

The Company had net liabilities of £188,231,000 as at 27 July 2019 (28 July 2018: net liabilities £118,337,000) and net current liabilities of £320,755,000 (28 July 2018: net current liabilities £261,841,000).

The net current liabilities position is driven by intercompany lending whereby the Parent Company provides financial support for the Company and will continue to do so as long as the Company remains within the Group. The Company does not have any exposure to external financing.

Further information on the Group's KPIs is disclosed in the Group's annual report, which does not form part of this annual report. These are included in the strategic report of the Boparan Holdings Limited annual report and financial statements for the 52 weeks ended 27 July 2019 ("the Group annual report"). These are publically available as detailed in note 25.

2 Sisters Food Group Limited

Strategic report (continued)

Principal risks and uncertainties

The Company's main customers are the UK's leading supermarkets, and the strength of these customers, combined with competitive pressure in the industry, represent continuing risks which could result in lost sales to key competitors and future uncertainties on the Company's revenues and profits.

The Company seeks to manage the risks presented by its consolidated customer base, and the highly competitive environment that characterises the industry, through its strategy of pursuing a competitive high service and quality / low-cost model targeted across a portfolio of categories where it has good market positions.

The Company is exposed to the effects of commodity inflation, whereby the fluctuations in price of the significant components used cannot be passed to the end customer within a reasonable timeframe affecting profitability. To mitigate, the Company has pass-through mechanisms with key customers to share the impact of changes in commodity prices. The Company also has a strong procurement team to focus on purchase prices and invests in productivity enhancements across the sites.

The Company's principal financial instruments comprise trading intercompany balances, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The Company's customers have favourable credit ratings and the credit risk on trade debtors is managed through regular monitoring of overdue amounts and review of customer credit limits. The Company is financed by intergroup loans from its parent company and so does not have any direct exposure to external financing.

Further risks, such as those relating to food safety and health and safety, are managed on a group wide basis and as such are discussed in the Group annual report, which is publically available as detailed in note 25.

Brexit presents significant uncertainty for the food manufacturing sector as a whole and our business is no exception. Without a parliamentary approved withdrawal agreement in place, it is difficult to speculate on the outcome and therefore what the impact might be on the Company. This could present itself as a direct impact through labour availability issues or commodity inflation driven by a weakening currency. It could also manifest more indirectly through a weakening consumer confidence and economy at large leading to reduced demand. We also expect more volatility in tax and interest rates in the short and medium term.

In the event of a "Hard Brexit", the Company has made the necessary arrangements to ensure continuity of supply and is monitoring its internal liquidity requirements to provide sufficient headroom within our financial planning.

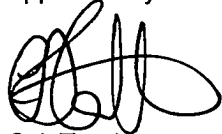
Events after the balance sheet date

On 24 November 2019 the company acquired the trade and assets of fellow group undertaking 2 Sisters Poultry Limited.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. See note 1 for further details.

Approved by the board and signed on its behalf by:



C A Tomkinson
Director

January 2020

2 Sisters Food Group Limited

Directors' report

The directors present their annual report and audited financial statements for the 52 weeks ended 27 July 2019.

Directors

The directors who served during the period ended 27 July 2019 and up to the date of signing the financial statements are those listed on page 1.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of the directors which remain in force at the date of this annual report.

Dividends

No interim dividend was paid in the period (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £nil).

Donations

The Company has not made any charitable donations during the period (2018: £265,000).

Going concern

Details of the going concern basis of preparation of the Group can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Financial risk management

The financial risks faced by the Company and the way these are managed are addressed within the Strategic Report on page 3.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damages that might be caused by the Company's activities. The Company operates in accordance with Group policies, which are described in the Group's annual report which are publically available as detailed in note 25.

Employees

Details of the number of employees and related costs can be found in note 6.

The Company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disability, marital status or religion. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

The Company uses a variety of methods to enable all its employees to understand the performance of the Group and of their own operating company. These include briefing groups, meetings with employee representatives and company newspapers. Employees are consulted on a wide range of issues affecting their current and future interests, and particularly on changes affecting the Company.

Future prospects

The challenges experienced throughout the period are expected to continue in the coming year. The Company continues to feel the impact of commodity inflation and has ongoing discussions with customers to recover this inflation, together with further cost mitigation plans. The Company remains committed to delivering for its customers on quality, service, innovation and price

2 Sisters Food Group Limited

Directors' report (continued)

Disclosure of information to auditor

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

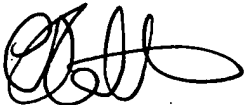
- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

Deloitte LLP have expressed their willingness to continue in office as the auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf on its behalf by:



C A Tomkinson
Director

January 2020

2 Sisters Food Group Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 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; 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 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2 Sisters Food Group Limited

Independent auditor's report to the members of 2 Sisters Food Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of 2 Sisters Food Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 27 July 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of total comprehensive income;
- the balance sheet; and
- statement of changes in equity
- the related notes 1 to 25.

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).

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 auditor's 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 UK, including the Financial Reporting Council's (the 'FRC'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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

2 Sisters Food Group Limited

Independent auditor's report to the members of 2 Sisters Food Group Limited

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 auditor's 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.

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Auditor's 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 auditor's 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions 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.

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 any material misstatements in the strategic report or the directors' report.

2 Sisters Food Group Limited

Independent auditor's report to the members of 2 Sisters Food Group Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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 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.

Kate Darlison

Kate Darlison FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds
24 January 2020

2 Sisters Food Group Limited

Statement of comprehensive income For the 52 weeks ended 27 July 2019

	Note	52 weeks ended 27 July 2019 £'000	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000	52 weeks ended 28 July 2018 £'000
Turnover	3		1,199,633		1,101,681
Cost of sales			(1,158,651)		(1,068,060)
Gross profit			40,982		33,621
Distribution costs			(63,342)		(62,205)
Administrative expenses					
- before restructuring		(32,763)		(32,737)	
- restructuring	4	(4,096)		(11,849)	
			(36,859)		(44,586)
Operating (loss)					
- before restructuring		(55,123)		(61,321)	
- restructuring	4	(4,096)		(11,849)	
Operating (loss)			(59,219)		(73,170)
Net finance charge	8		(20,967)		(15,387)
(Loss) before taxation	5		(80,186)		(88,557)
Taxation credit on loss	9		10,853		10,317
(Loss) for the financial period			(69,333)		(78,240)
Remeasurement of net defined benefit pension liability	22		(573)		(478)
Tax relating to components of other comprehensive (expense) / income	15		12		75
Other comprehensive (expense) for the period			(561)		(403)
Total comprehensive (loss) for the period			(69,894)		(78,643)

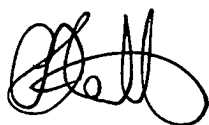
All amounts in the current and prior periods relate to continuing activities.

2 Sisters Food Group Limited

Balance sheet At 27 July 2019

	Note	27 July 2019 £'000	28 July 2018 £'000
Fixed assets			
Intangible assets	10	11,067	12,695
Tangible assets	11	122,125	134,665
Investments	12	9,498	9,498
		142,690	156,858
Current assets			
Inventories	13	21,267	23,578
Debtors due within one year	14	627,489	632,605
Deferred tax asset due after more than one year	15	8,940	8,940
Cash at bank and in hand		30,931	4,712
		688,627	669,835
Creditors: amounts falling due within one year	16	(1,009,382)	(931,676)
Net current liabilities		(320,755)	(261,841)
Total assets less current liabilities		(178,065)	(104,983)
Creditors: amounts falling due after more than one year	17	(6,629)	(10,420)
Provisions for liabilities	18	(2,788)	(2,762)
Net liabilities excluding pension scheme deficit		(187,482)	(118,165)
Pension scheme deficit	22	(749)	(172)
Net liabilities		(188,231)	(118,337)
Capital and reserves			
Called up share capital	20	5	5
Capital redemption reserve	20	5	5
Profit and loss account		(188,241)	(118,347)
Shareholders' deficit		(188,231)	(118,337)

These financial statements of 2 Sisters Food Group Limited were approved by the Board of Directors and authorised for issue on January 2020. They were signed on its behalf by:



C A Tomkinson
Director
Company number 02826929

2 Sisters Food Group Limited

Statement of changes in equity At 27 July 2019

Equity attributable to equity shareholders of the Company

	Called-up share capital	Capital redemption reserve	Profit and loss account	Total capital employed
	£'000	£'000	£'000	£'000
At 29 July 2017	5	5	(39,704)	(39,694)
(Loss) for the financial period	-	-	(78,240)	(78,240)
Remeasurement of net defined benefit pension liability	-	-	(478)	(478)
Tax relating to components of other comprehensive expense	-	-	75	75
Total comprehensive (loss)	-	-	(78,643)	(78,643)
At 28 July 2018	5	5	(118,347)	(118,337)
(Loss) for the financial period	-	-	(69,333)	(69,333)
Remeasurement of net defined benefit pension liability	-	-	(573)	(573)
Tax relating to components of other comprehensive expense	-	-	12	12
Total comprehensive (loss)	-	-	(69,894)	(69,894)
At 27 July 2019	5	5	(118,241)	(118,231)

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting policies

Basis of accounting

2 Sisters Food Group Limited is a company incorporated in the United Kingdom and prepares its financial statements under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling, because that is the currency of the primary economic environment in which the Company operates. These financial statements are also presented in pounds sterling.

Financial Reporting Standard 102 – reduced disclosure exemptions

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions available to it in FRS102 Paragraph 1.12. In preparing these financial statements, exemptions have been taken in respect of:

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

The Company is consolidated in the financial statements of its ultimate parent, Boparan Holdco Limited, which may be obtained from the Company's registered office at Colmore Court, 9 Colmore Row, Birmingham, B3 2BJ.

Group financial statements

The Company has taken advantage of the exemption from preparing consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly owned subsidiary of Boparan Holdings Limited which is the smallest group of undertakings which prepare publicly available consolidated accounts that incorporate the results of the Company as detailed in note 25. Therefore these financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

The Company is in a net liabilities position and was loss making in both the current and prior period, however, it does not have any exposure to external financing as its day to day working capital requirements are managed through its own cash flow and borrowings from its parent company where required.

The parent company, Boparan Holdings Limited, has confirmed it will provide sufficient financial support, should it be required, to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements, as long as the Company remains within the Group. The going concern of the Company is therefore dependent on the going concern of the Group.

In determining whether the Company's financial statements can be prepared on a going concern basis, the directors considered the Company's and Group's business activities, together with the factors likely to affect its future development, performance and position.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Going concern (continued)

The review included the financial position of the Group, its cash flows, liquidity position, borrowing facilities and covenants. The key factors considered by the directors were as follows:

- consideration of detailed forecasts prepared for the 12 month period from the date of approval of the financial statements and the application of sensitivities to those forecasts;
- the implications of the challenging economic environment and future uncertainties on the Group's revenues and profits and its ability to meet financial covenants;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected;
- the Group has access to a committed bank facility to meet working capital requirements.

As at the date of this annual report, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. Accordingly, the financial statements for the 52 weeks ended 27 July 2019 have been prepared on the going concern basis.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax (VAT) and other sales related taxes.

The Company provides trade discounts, primarily in the form of rebate arrangements or other incentive arrangements, to its customers. The arrangements can take the form of volume related rebates, marketing fund contributions, promotional fund contributions or lump sum incentives. The Company recognises revenue net of such discounts over the period to which the arrangement applies.

Sales of goods are recognised when goods are dispatched and title has passed, and to the extent that sales are invoiced in advance of delivery, income is deferred.

Pension schemes

Defined contribution pension schemes

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit pension schemes

The Group operates a number of defined benefit pension schemes; the UK and Irish schemes are closed to future benefit accrual.

For defined benefit schemes, the amounts charged to operating profit are the costs arising from settlements and curtailments. They are included as part of staff costs.

The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the defined benefit liability) are recognised immediately in other comprehensive income. Costs of administering the closed defined benefit schemes are charged to administration costs.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Defined benefit pension schemes (continued)

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. Full actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Post-retirement healthcare

The Group provides post-retirement healthcare benefits to eligible employees who retired before 31 March 1999. The expected cost of this benefit has been computed using an accounting methodology similar to that for defined benefit pension schemes. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses. These obligations are valued annually for the purpose of the financial statements by independent qualified actuaries.

Net financing charges

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at the effective interest rate applicable on the carrying amount.

The net impact of the unwinding of the discount rate on the net pension scheme liability is charged to interest payable in the profit and loss account.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

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

- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Taxation

Current tax, both UK and overseas, is recognised for the amounts payable (or receivable) in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less / (more) than the value at which it is recognised, a deferred tax liability / (asset) is recognised for the additional tax that will be paid / (avoided) in respect of that difference.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:

- (a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Intangible assets – goodwill

Goodwill arising on acquisition, representing the difference between the cost and the fair value of the net assets acquired in a business combination is capitalised in the period of acquisition and written off on a straight line basis over its useful economic life which is estimated to be twenty years.

Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Negative goodwill is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale.

Intangible assets - software

Software separately acquired, including computer software which is not an integral part of an item of hardware, is stated at cost less accumulated amortisation. Cost comprises purchase price and other directly attributable costs. Software is recognised as an asset only if it meets the following criteria:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the development cost / acquisition cost of the asset can be reliably measured.

Software is amortised over its expected useful life, which ranges from three to seven years. Amortisation commences when the asset is ready for use.

Tangible fixed assets and depreciation

Tangible fixed assets 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.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The principal annual rates used are:

Freehold properties	2% - 5%
Leasehold properties	2% - 20%
Plant, fixtures and motor vehicles	6.7% - 25%

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Impairment of tangible and intangible fixed assets

Assets are reviewed for impairment at each balance sheet date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Leased assets

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives.

The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease, are similarly spread on a straight-line basis over the lease term.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease. This is released over the remaining lease term.

Investments

Investments are shown at cost less provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant cash generating unit. The discount rate applied is based upon the Company's weighted average cost of capital, with appropriate adjustment for the risks associated with the relevant unit.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective inventories where appropriate.

Supplier rebates

The Company enters into rebate arrangements with its suppliers. The arrangements are primarily volume related. The supplier rebates received are recognised as a deduction from cost of sales (or administration or distribution costs if more appropriate), based on the entitlement that has been earned up to the balance sheet date, for each relevant supplier arrangement.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Financial instruments (continued)

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

All amounts due from, or owed to Group undertakings are repayable on demand and held at amortised cost.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

1. Accounting Policies (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received, net of direct issue costs.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at their present value and at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

2. Critical accounting judgements & key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Inventories

The Company reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisable value of inventories, the Company is required to make judgements as to future demand requirements and to compare these with current inventory levels. Factors that could impact estimated demand and selling prices are timing and success of product ranges. Further details on the value of the Company's inventory at each period end are shown in note 13.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

2. Critical accounting judgements & key sources of estimation uncertainty (continued)

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Customer rebates

The Company provides rebate arrangements or other incentive arrangements, to its customers. In assessing provisions required for these arrangements, the Company carefully monitors the sales levels and ensures that provisions are in line with all agreements in place with each customer.

Recognition of deferred tax assets

The Company recognised a deferred tax asset of £8,940,000 (2018: £8,940,000 at the period end). The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Of the total deferred tax asset, £8,503,000 (2018: £8,654,000) relates to timing differences on pensions and capital allowances.

For the remainder of the balance where the temporary differences may relate to losses, the availability of forecast taxable profits to offset against the losses is also considered. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. The Company has considered the impact of the assumptions used on these calculations and has conducted sensitivity analysis to ensure the recognition of these deferred tax assets is appropriate. Details of deferred tax assets, including amounts unrecognised at period end, can be found in note 15.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further details can be found in note 10.

Fixed asset impairment

When determining whether assets are impaired, the recoverable amount of assets are determined based on the higher of net realisable value and value-in-use calculations. The value-in-use calculation requires an estimate of the future cash flows expected to arise from each cash-generating unit, along with a suitable discount rate in order to calculate present value. The Company has considered the impact of the assumptions used on these calculations and has conducted sensitivity analysis to ensure these carrying values are appropriate. Further details on the assumptions applied can be found in note 11.

Defined benefit pension schemes

The Company operates a number of defined benefit pension schemes. The actuarial valuations of these schemes are reliant on a number of assumptions, including the discount rate, the inflation rate and the mortality rate. The assumptions applied as part of these valuations are closely monitored by the Company.

The most recent actuarial valuations of these schemes and the present value of the defined benefit obligations for the purpose of the financial statements were carried out at 27 July 2019 by independent qualified actuaries. Further details on the assumptions applied can be found in note 22.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

3. Turnover

Turnover consists of sales to third parties net of trade discounts and excluding VAT and sales related taxes. All turnover relates to the processing and manufacture of poultry products.

An analysis of the Company's turnover by geographical market is set out below.

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
United Kingdom	1,188,098	1,090,680
Rest of Europe	8,904	9,846
Other	2,631	1,155
	<u>1,199,633</u>	<u>1,101,681</u>

4. Restructuring

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Restructuring costs	4,096	2,685
Write off of balance sheet items	-	9,164
	<u>4,096</u>	<u>11,849</u>

During the period the Company incurred restructuring costs of £4,096,000 in relation to site closures (2018: £2,685,000).

In the prior period the Company also recognised £9,164,000 as a result of a balance sheet review which highlighted balances that could no longer be supported resulting from historical control deficiencies.

The tax effect of these restructuring costs was a corporation tax credit of £474,000 (2018: £2,207,000) and a deferred tax credit of £170,000 (2018: £444,000).

2 Sisters Food Group Limited

Notes to the financial statements: For the 52 weeks ended 27 July 2019

5. Loss before taxation

Loss before taxation is arrived at after charging:

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Auditor's remuneration for audit services	82	82
Operating lease rentals		
- hire of plant and machinery	1,391	1,426
- other	3,492	3,351
Amortisation of intangible fixed assets (note 10)	1,628	1,518
Cost of inventory recognised as an expense	841,692	783,678
Depreciation of owned tangible fixed assets (note 11)	20,768	18,517
Depreciation of leased tangible fixed assets (note 11)	3,842	4,150
Defined contribution pension costs (note 6)	2,816	1,817

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

6. Staff numbers and costs

Staff costs (including directors), consists of:

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Wages and salaries	132,079	109,411
Social security costs	11,009	10,056
Pension costs	2,816	1,817
	145,904	121,284

The average monthly number of employees (including directors), was:

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Production	5,611	5,491
Administration and selling	372	480
	5,983	5,971

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

7. Emoluments of directors

None of the directors received any emoluments from the Company during the period (2018: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £5,296,000 (2018: £2,281,000). It is not practicable to ascertain what proportion of these emoluments relates to the Company. The highest paid director received total emoluments of £3,179,000 (2018: £682,000).

No pension contributions were made on behalf of the highest paid director during the period (2018: £nil).

The Group made contributions of £35,000 (2018: £8,000) in respect of money purchase benefits for one Company director (2018: two directors).

8. Net finance charge

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Interest receivable on Group loans	26,059	26,276
Interest payable on Group loans	(46,539)	(40,977)
Interest payable on finance leases	(483)	(693)
Net (charge) / income on defined benefit pension liability	(4)	7
	<u>(20,967)</u>	<u>(15,387)</u>

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

9. Taxation on loss

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
United Kingdom corporation tax		
Current tax credit on result for the period	11,544	12,215
Adjustments in respect of prior periods	(585)	(581)
Total current tax credit for the period	10,959	11,634
Deferred taxation (note 15)		
Net origination of timing differences	(633)	(1,949)
Adjustments in respect of rate change	-	-
Deferred tax on pension scheme	97	(1)
Adjustments in respect of prior periods	430	633
Total deferred tax (charge) for the period	(106)	(1,317)
Total tax credit recognised in loss for period	10,853	10,317
Deferred tax on pension scheme	12	75
Tax credit recognised in other comprehensive income	12	75
Tax credit recognised in total comprehensive income	10,865	10,392

The standard rate of tax applied to reported profit on is 19.0% (2018: 19.0%).

The Finance Act 2019 received Royal Assent on 12 February 2019, this act outlined a reduction to the main rate of corporation tax to 17% from 1 April 2020. Accordingly, these rates have been taken into account when calculating deferred tax assets, giving consideration to when the assets will reverse.

There is no expiry date on timing differences, unused tax losses or tax credits.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

9. Taxation on loss (continued)

The corporation tax credit is different to the standard UK corporation tax rate of 19.0% (2018: 19.0%). The differences are analysed below:

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Current tax reconciliation		
Loss before taxation	(80,186)	(88,557)
UK Corporation tax rate of 19.0% (2018: 19.0%)	15,235	16,826
Effects of:		
- Disallowable expenses	(1,019)	(883)
- Effect of decrease in tax rate	(279)	(365)
- Adjustments in respect of prior periods	(155)	52
- De-recognition of deferred tax asset	(2,717)	(5,100)
- Group relief not paid for	(212)	(213)
	10,853	10,317

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

10. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 28 July 2018	31,660	1,133	32,793
Additions	-	-	-
At 27 July 2019	31,660	1,133	32,793
Accumulated amortisation			
At 28 July 2018	19,956	142	20,098
Charge for the period	1,376	252	1,628
At 27 July 2019	21,332	394	21,726
Net book value			
At 27 July 2019	10,328	739	11,067
At 28 July 2018	11,704	991	12,695

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

11. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost:				
At 28 July 2018	44,825	198,962	18,670	262,457
Additions	83	9,973	2,725	12,781
Disposal	(1,553)	(12,145)	(3,391)	(17,089)
At 27 July 2019	43,355	196,790	18,004	258,149
Depreciation:				
At 28 July 2018	24,902	91,185	11,705	127,792
Charge for the period	2,041	20,854	1,715	24,610
Disposal	(1,332)	(11,684)	(3,362)	(16,378)
At 27 July 2019	25,611	100,355	10,058	136,024
Net book value				
At 27 July 2019	17,744	96,435	7,946	122,125
At 28 July 2018	19,923	107,777	6,965	134,665

Included in plant and machinery are assets with a net book value amounting to £15,916,000 (2018: £21,440,000) held under finance leases. Depreciation charged on these assets in the period amounted to £3,842,000 (2018: £4,150,000).

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

12. Fixed asset investments

	27 July 2019 £'000	28 July 2018 £'000
Cost		
At start and end of period	<u>9,498</u>	<u>9,498</u>

There has been no impairment to these investments and therefore their net book value is equal to their costs.

The Company's investments are listed below. Companies marked with * are directly owned by 2 Sisters Food Group Limited:

Company	Principal activity	Country of incorporation
<i>Subsidiary undertakings</i>		
Challenger Foods Limited ¹	Dormant	England
John Rannock Limited* ¹	Dormant	England
Joseph Mitchell (Letham) Limited ²	Dormant	Scotland
Lloyd Maunder Limited* ¹	Dormant	England
Mitchell (Game) Limited ²	Dormant	Scotland
Prime Game Limited ²	Dormant	Scotland
Scot-Lad Limited* ²	Dormant	Scotland
<i>Joint ventures</i>		
Hook 2 Sisters Limited ³	Chicken growing	England

Other than Hook 2 Sisters Limited, the Company owns 100% of the ordinary share capital of voting rights of all the companies above. The Company owns 50% of the ordinary share capital of Hook 2 Sisters Limited.

The registered office of each undertaking is:

¹ Trinity Park House, Fox Way, Wakefield, West Yorkshire, WF2 8EE

² George Street, Coupar Angus, Blairgowrie, Perthshire, PH13 9LU

³ Cote, Bampton, Oxfordshire, OX18 2EG

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

13. Inventories

	27 July 2019 £'000	28 July 2018 £'000
Raw materials and consumables	11,545	10,906
Work in progress	583	569
Finished goods and goods for resale	9,139	12,103
	21,267	23,578

In the opinion of the directors the carrying value of inventories is not materially different to the replacement cost.

14. Debtors

	27 July 2019 £'000	28 July 2018 £'000
Trade debtors	29,370	47,195
Amounts due from Group undertakings	5,461	23,375
Amounts due from parent undertaking	551,453	525,392
Other debtors	7,754	8,373
Prepayments	7,082	12,661
Corporation tax	23,069	12,309
Amounts owed by joint venture (note 23)	3,300	3,300
	627,489	632,605

All amounts due from Group undertakings are repayable on demand and held at amortised cost. Interest is charged at a rate of 5.9% on these balances.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

15. Deferred taxation

	27 July 2019 £'000	28 July 2018 £'000
Asset at the start of the period	8,940	10,182
(Charge) to profit and loss account	(536)	(1,950)
Deferred tax on pension scheme taken to Other Comprehensive Income	12	75
Adjustments in respect of prior periods	524	633
	<hr/>	<hr/>
Asset at the end of the period	8,940	8,940
	<hr/>	<hr/>

	27 July 2019 £'000	28 July 2018 £'000
Capital allowances	8,376	8,654
Deferred tax arising in relation to retirement benefit obligations	127	29
Other timing differences	437	257
	<hr/>	<hr/>
	8,940	8,940
	<hr/>	<hr/>

The Company has an unrecognised deferred tax asset of £7,848,000 (2018: £5,131,000). This is made up of £7,817,000 (2018: £5,100,000) in relation to accelerated capital allowances and £31,000 (2018: £31,000) in relation to capital losses carried forward as at 27 July 2019. Deferred tax is not recognised on these balances as it is uncertain whether these amounts will be utilised against future taxable profits or gains.

During the period commencing 28 July 2019, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £2,211,000 (2018: decrease of £2,822,000). This is primarily due to availability of capital allowances in excess of depreciation and utilisation of provisions.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

16. Creditors: amounts falling due within one year

	27 July 2019 £'000	28 July 2018 £'000
Obligations under finance leases (note 19)	3,996	4,801
Trade creditors	51,226	68,620
Amounts owed to group undertakings	891,255	774,757
Amounts owed to joint venture (note 23)	37,604	32,948
Other taxation and social security	1,914	1,252
Other creditors	676	-
Accruals	22,711	49,298
	1,009,382	931,676

All amounts owed to Group undertakings are repayable on demand and held at amortised cost. Interest is charged at a rate of 5.9% on these balances.

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

	27 July 2019 £'000	28 July 2018 £'000
Obligations under finance leases (note 19)	6,629	10,420

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

18. Provisions for liabilities

	Onerous lease £'000	Restructuring £'000	Total £'000
At 28 July 2018	931	1,831	2,762
Current period charge to profit and loss account (note 4)	-	2,268	2,268
Utilised in the period	(123)	(2,119)	(2,242)
At 27 July 2019	808	1,980	2,788

Provisions of £2,788,000 (2018: £2,762,000) comprise:

- £808,000 (2018: £931,000) in respect of onerous leases costs at the Haughley Park & Letham sites which were closed by the Company in the 2014 financial period. These provisions are materially expected to be utilised over a period greater than 12 months;
- £1,980,000 (2018: £1,831,000) of restructuring provisions predominantly relating grant repayments on the closure of sites.

19. Obligations under finance leases

	29 July 2019 £'000	28 July 2018 £'000
Within one year or less or on demand	3,996	4,801
More than one year but not more than two years	4,424	4,294
More than two years but not more than five years	2,205	6,126
	10,625	15,221

Finance leases are secured over the assets to which they relate.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

20. Called up share capital and reserves

	27 July 2019 £'000	28 July 2018 £'000
Authorised		
10,000 Ordinary shares of £1 each	<u>10</u>	<u>10</u>
Called up, allotted and fully paid		
5,000 Ordinary shares of £1 each	<u>5</u>	<u>5</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The Company also has a capital redemption reserve of £5,000 (2018: £5,000) which arose on the repurchase and cancellation of ordinary shares.

The Company also has retained losses within its profit and loss account of £188,241,000 (2018: losses of £118,347,000) relating to the Company's annual losses, actuarial gains and losses on the Company's defined benefit pension schemes and any historical dividend payments.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

21. Financial commitments

Capital commitments

There were no capital commitments at 27 July 2019 (2018: £nil) provided for at the period end. There were £1,020,000 (2018: £4,718,000) capital commitments contracted for but not provided for at the period end. These commitments related to the purchase of plant & machinery.

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	27 July 2019 £'000	28 July 2018 £'000
Land and building leases expiring		
- Within one year	3,399	3,307
- Two to five years	13,506	13,191
- Greater than five years	16,847	19,961
	33,752	36,459
Other leases expiring		
- Within one year	1,237	1,071
- Two to five years	1,436	2,029
- Greater than five years	-	-
	2,673	3,100

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

22. Pension schemes

Defined contribution schemes

The Company contributes to defined contribution schemes for all qualifying employees. The total cost charged to the profit and loss account of £2,816,000 (2018: £1,817,000) represents contributions payable to these by the Company at rates specified in the rules of the plans. At 27 July 2019 contributions of £280,000 (2018: £136,000) due in respect of the current reporting period had not been paid over to the scheme.

Defined benefit scheme

The Company operates a defined benefit pension scheme in the UK. This scheme was hived up to the Company from Lloyd Maunder Limited in the period ended 28 July 2012.

The scheme is closed to future accrual and new entrants. A full actuarial valuation of the scheme assets and present value of the scheme liabilities was carried out at 27 July 2019 by independent qualified actuaries. The principal assumptions used for the actuarial valuation of the scheme were as follows:

	27 July 2019 £'000	28 July 2018 £'000
Rate of increase to pensions in payment	3.1	3.2
Discount rate	2.1	2.6
Inflation assumption	3.3	3.5
Mortality	CMI_2018	CMI_2017

The Company has adopted the SAPS tables with scaling factors appropriate for each section of the membership with the core CMI 2018 projections with a long-term rate of improvement of 1.5% per annum.

The life expectancy in years for members at sample ages are shown below:

	27 July 2019 (years)	28 July 2018 (years)
Male aged 45 now	23.3	23.5
Female aged 45 now	25.4	25.5
Male aged 65	21.6	21.8
Female aged 65	23.5	23.7

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Notes to the financial statements For the 52 weeks ended 27 July 2019

22. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income in respect of the Company's defined benefit scheme are as follows:

	27 July 2019 £'000	28 July 2018 £'000
Net interest (cost) / income	(4)	7
(Charge) / income to profit and loss account	(4)	7
Actuarial (losses)	(573)	(478)
Recognised in other comprehensive income	(573)	(478)
Total (cost) relating to the defined benefit pension scheme	(577)	(471)

Amounts recognised in the balance sheet in respect of the Company's defined benefit scheme are as follows:

	27 July 2019 £'000	28 July 2018 £'000
Present value of obligations	(10,615)	(10,474)
Fair value of scheme assets	9,866	10,302
Net (deficit) recognised in the balance sheet	(749)	(172)

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Notes to the financial statements For the 52 weeks ended 27 July 2019

22. Pension schemes (continued)

Movement in the present value of defined benefit pension scheme obligations were as follows:

	27 July 2019 £'000	28 July 2018 £'000
Scheme liabilities at the start of the period	10,474	10,650
Interest cost	256	273
Actuarial loss / (gain)	716	(121)
Benefits paid	(831)	(328)
Scheme liabilities at the period end	<u>10,615</u>	<u>10,474</u>

Movements in the fair value of scheme assets were as follows:

	27 July 2019 £'000	28 July 2018 £'000
Scheme assets at start of the period	10,302	10,949
Interest income	252	280
Actuarial gain / (loss) on scheme assets	143	(599)
Benefits paid	(831)	(328)
Fair value of scheme assets at the period end	<u>9,866</u>	<u>10,302</u>

The analysis of the scheme assets at the balance sheet date was as follows:

	27 July 2019 £'000	28 July 2018 £'000
Equities	2,800	3,163
Cash	52	48
Other	7,014	7,091
Total fair value of assets	<u>9,866</u>	<u>10,302</u>

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Notes to the financial statements For the 52 weeks ended 27 July 2019

23. Related party transactions

The Company has taken advantage of the exemption under FRS102 Section 33; Related Party Disclosures paragraph 33.7, as a wholly owned subsidiary of Boparan Holdings Limited, not to disclose related party transactions with other wholly owned members of the Group.

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Amber REI Holdings Limited and subsidiaries		
<i>Relationship: Related by virtue of common ownership</i>		
<i>Charges received from Amber REI Holdings:</i>		
Rental charges	2,305	2,163
Recharges	966	99
Outstanding debtor at the period end	-	1
Outstanding creditor at the period end	1,016	145
Hook 2 Sisters Limited		
<i>Relationship: Group's 50% investment in the Company</i>		
Loans to (repayable on 9 February 2020)	3,300	3,300
Purchases made by the Company	451,492	426,120
Outstanding creditor at the period end	37,604	32,948
2 Agriculture Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	-	21
Outstanding creditor at the period end	-	-
1 Stop Halal		
<i>Relationship: Related by virtue of common ownership</i>		
Sales made to the related party	1,962	2,305
Purchases made by the Company	563	518
Outstanding creditor at the period end	34	51
Outstanding debtor at the period end	408	167

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Notes to the financial statements For the 52 weeks ended 27 July 2019

23. Related party transactions (continued)

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Food Utopia Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Sales made to the related party	16	2,986
Outstanding debtor at the period end	-	793
Boparan Charitable Trust		
<i>Relationship: Related by virtue of common ownership</i>		
Donations made by the Company	-	265
Outstanding creditor at the period end	-	101
Buffaload Logistics Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	-	4
Outstanding creditor at the period end	-	15
Bernard Matthews Foods Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	1,994	1,722
Outstanding creditor at the period end	1	19

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 27 July 2019

23. Related party transactions (continued)

	52 weeks ended 27 July 2019 £'000	52 weeks ended 28 July 2018 £'000
Lakeside Food Group Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	1,509	410
Outstanding creditor at the period end	-	114
Crawshaw Butchers Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Sales made to the related party	427	1,437
Outstanding debtor at the period end	-	165

24. Contingent liabilities

Long term funding for the Company and Group is provided primarily through two tranches of Senior Loan Notes; £330m due 2021, and a euro note of €300m due 2021. In addition, the Group has an £80m Revolving Credit Facility maturing in March 2021.

The Company and other Group subsidiary companies are guarantors in respect of the Senior Loan Notes, whereby they absolutely and unconditionally guarantee the principal and interest on the Senior Loan Notes. The same companies are cross guarantors in respect of the Revolving Credit Facility.

The total bond value including accrued interest as at 27 July 2019 was £609.8m net of fees (2018: £860.9m).

There are a number of contingent liabilities relating to litigation or potential claims from customers and counterparties that arise in the normal course of business, which if realised are not expected to result in a material liability to the Company. The Company regularly reviews all of these claims to determine any possible financial loss; as at 27 July 2019 no provision was considered necessary. A provision will be recognised if it is more likely than not a settlement will be required and the value of the payment can be reliably estimated.

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Notes to the financial statements For the 52 weeks ended 27 July 2019

25. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of Boparan Holdings Limited, a company registered in England and Wales. The parent company of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Boparan Holdings Limited. The parent company of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Boparan Holdco Limited, registered in England and Wales.

As at 27 July 2019 Boparan Holdco Limited was also the Company's ultimate parent undertaking. Copies of the consolidated financial statements can be obtained from the Company's registered office as detailed on page 1.

R S Boparan and B K Boparan are the ultimate controlling parties.