

2 Sisters Red Meat Limited

Annual report and financial statements

For the 52 weeks ended 30 July 2016

Company registration no. SC440783



2 Sisters Red Meat Limited

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2 Sisters Red Meat Limited

Officers and professional advisors

Directors

R S Boparan
G W Davies (appointed 24 August 2015)
S P Leadbeater
D S Morgan (resigned 24 August 2015)

Registered office

George Street
Coupar Angus
Blairgowrie
Perthshire
Scotland
PH13 9LU

Bankers

Barclays Bank plc
1 The Headrow
Leeds
LS1 1JS

BNP Paribas UK Ltd
10 Harewood Avenue
London
NW1 6AA

Goldman Sachs Bank USA
200 West Street
New York
NY 10282

HSBC Bank plc
8 Canada Square
London
E14 5HQ

JPMorgan Chase Bank
25 Bank Street
London
E14 5JP

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

Independent auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
1 City Square
Leeds
LS1 2AL

2 Sisters Red Meat Limited

Strategic report

The directors present their strategic report for the 52 weeks ended 30 July 2016.

Business overview and principal activities

2 Sisters Red Meat 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 red meat products. There have not been any significant changes in the Company's principal activities in the period under review or post period end.

The results are shown in the statement of total comprehensive income on page 8. The Company has made a loss for the period of £1,056,000 (2015: profit of £10,371,000). The current period result includes exceptional costs of £678,000 (2015: £148,000).

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 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
Total turnover	478,401	493,637
Gross profit margin	7.7%	9.6%
Pre-exceptional operating profit	1,162	11,904
(Loss) / profit before taxation	(1,092)	10,350

Turnover for the 52 weeks ended 30 July 2016 was £478,401,000 (52 weeks ended 1 August 2015: £493,637,000), a decrease of 3.1%.

A shift in sales mix combined with commodity price inflation has led to a reduction in gross profit margin compared to the prior period.

The Company incurred exceptional costs of £678,000 in the period (2015: £148,000), largely relating to a management restructure. Further detail can be found in note 4.

The fall in turnover and gross margin combined with the increase in exceptional costs has resulted in the Company recording a loss before taxation in the period of £1,092,000 compared to a profit of £10,350,000 in the prior period.

The Company had net assets of £8,888,000 as at 30 July 2016 (1 August 2015: £9,944,000). The decrease in the net asset position is as a result of the loss for the period.

Further information on the Group's KPIs is disclosed in the Group's annual report, which does not form part of this annual report.

Adoption of Financial Reporting Standard 102

This is the first period that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. As a consequence of adopting FRS102, a number of accounting policies have changed to comply with that standard. A summary of these changes and their impact are shown in note 24. All prior period comparatives have been restated accordingly.

2 Sisters Red Meat 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 seeks to manage changes in customer preference by investing in consumer insight to understand trends in the market and then adjusting existing product mix or developing new products to address these trends.

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 exposure to price and supply fluctuations for raw materials and services, are managed on a group wide basis and as such are discussed in the Group annual report for the 52 weeks ended 30 July 2016.

Going concern

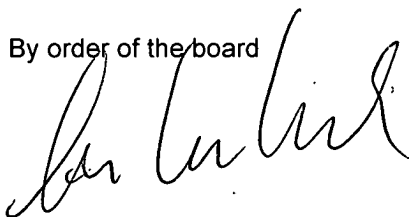
The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1.

Future prospects

The directors consider the future prospects of the Company to be satisfactory.

By order of the board



S P Leadbeater
Director

24 March 2017

2 Sisters Red Meat Limited

Directors' report

The directors present their annual report and audited financial statements for the 52 weeks ended 30 July 2016.

Directors

The directors who served during the period ended 30 July 2016 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 (2015: £nil). The directors do not recommend the payment of a final dividend (2015: £nil).

Financial risk management

The financial risks faced by the Company and the way these are managed are addressed within the Strategic Report on pages 2 & 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 does not form part of this annual report.

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

Details of the future prospects of the Company can be found in the strategic report and form part of this report by cross reference.

2 Sisters Red Meat Limited

Directors' report (continued)

Disclosure of information to auditor

In the case of each of the persons who are directors of the Company at the date when this annual report was approved:

- 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

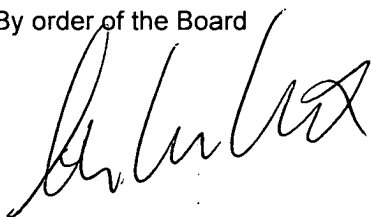
Deloitte LLP have expressed their willingness to continue in office as the auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following period. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company. They should be served no later than 29 July 2017.

By order of the Board



S P Leadbeater

Director

24 March 2017

2 Sisters Red Meat 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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of 2 Sisters Red Meat Limited

We have audited the financial statements of 2 Sisters Red Meat Limited for the 52 weeks ended 30 July 2016 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 July 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

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.

Kate Darlison

Kate Darlison (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
24 March 2017

2 Sisters Red Meat Limited

Statement of total comprehensive income For the 52 weeks ended 30 July 2016

	Note	52 weeks ended 30 July 2016 £'000	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000	52 weeks ended 1 August 2015 £'000
Turnover	3		478,401		493,637
Cost of sales			(441,639)		(446,233)
Gross profit			36,762		47,404
Distribution costs			(9,304)		(9,272)
Administrative expenses					
- before exceptional items		(26,296)		(26,228)	
- exceptional items	4	(678)		(148)	
			(26,974)		(26,376)
Operating profit					
- before exceptional items		1,162		11,904	
- exceptional items	4	(678)		(148)	
Operating profit			484		11,756
Net finance charge	8		(1,576)		(1,406)
(Loss) / profit before taxation	5		(1,092)		10,350
Taxation on loss / profit	9		36		21
Total comprehensive (loss) / income for the period			(1,056)		10,371

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

There are no recognised gains or losses in either period other than the (loss) / profit for that period.

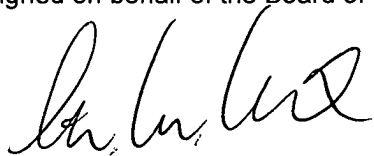
2 Sisters Red Meat Limited

Balance sheet At 30 July 2016

	Note	30 July 2016 £'000	1 August 2015 £'000
Non current assets			
Intangible assets	10	3,676	3,899
Tangible assets	11	7,337	6,727
		<u>11,013</u>	<u>10,626</u>
Current assets			
Inventories	12	37,258	31,863
Debtors due within one year	13	26,438	37,543
Deferred tax asset due after more than one year	14	3,875	4,124
Cash at bank and in hand		10	122
		<u>67,581</u>	<u>73,652</u>
Creditors: amounts falling due within one year	15	<u>(69,151)</u>	<u>(73,857)</u>
Net current liabilities		<u>(1,570)</u>	<u>(205)</u>
Total assets less current liabilities		<u>9,443</u>	<u>10,421</u>
Creditors: amounts falling due after more than one year	16	<u>(364)</u>	<u>(477)</u>
Provisions for liabilities	17	<u>(191)</u>	<u>-</u>
Net assets		<u>8,888</u>	<u>9,944</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account		8,888	9,944
Shareholders' funds		<u>8,888</u>	<u>9,944</u>

These financial statements of 2 Sisters Red Meat Limited were approved by the Board of Directors and authorised for issue on 24 March 2017.

Signed on behalf of the Board of Directors



S P Leadbeater

Director

Company number SC440783

2 Sisters Red Meat Limited

Statement of changes in equity At 30 July 2016

Equity attributable to equity shareholders of the Company

		Called-up share capital	Profit and loss account	Total capital employed
	Note	£'000	£'000	£'000
At 3 August 2014 as previously stated		-	(1,443)	(1,443)
Changes on transition to FRS102	24	-	1,016	1,016
At 3 August 2014 as restated		-	(427)	(427)
Total comprehensive income for the financial period		-	10,371	10,371
At 1 August 2015		-	9,944	9,944
Total comprehensive loss for the financial period		-	(1,056)	(1,056)
At 30 July 2016		-	8,888	8,888

2 Sisters Red Meat Limited

Notes to the financial statements

For the 52 weeks ended 30 July 2016

1. Accounting policies

Basis of accounting

2 Sisters Red Meat Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in Scotland. The address of the Company's registered office is shown on page 1. 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.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 24.

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 - .45, 11.47, 11.48(iii) – (iv), 11.48(b) – (c);
- The requirements of Section 12; Other Financial Instruments Issues paragraph 12.26 -27, 12.29(a) – (b) and 12.29A; and
- The requirements of Section 33; Related Party Disclosures paragraph 33.7.

The Company's shareholder, Boparan Holdings Limited, has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company is consolidated in the financial statements of its ultimate parent, Boparan Holdco Limited. Copies of the consolidated financial statements may be obtained from the Company's registered office.

Going concern

The Company is in a net asset position and does not have any exposure to external financing as working capital and short term cash flow 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 Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

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 undrawn overdraft facilities and 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 have 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 30 July 2016 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.

Net financing charges

Interest income is accrued on a time basis, 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.

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.

Pensions

During the period the Company operated a defined contribution scheme for qualifying employees. 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.

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

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 or loss for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Company can control their reversal and such reversal is not considered probable in the foreseeable future.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax balances are not recognised in respect of permanent differences, except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets/ (liabilities) acquired and the future tax deductions / (taxable amounts available).

Deferred tax is measured at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply to the reversal of the timing differences.

With the exception of changes arising on the initial recognition of a business combination, the tax expense / (income) is presented either in the profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense / (income).

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.

Government grants

Government grants in respect of capital expenditure are credited to deferred income within creditors and are released to the income statement over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to 'other income' within the income statement so as to match them with the expenditure to which they relate.

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:

Plant and machinery	6.66%-20%
Motor vehicles	10%-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.

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

1. Accounting policies (continued)

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.

Leased assets

Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and other similar contracts are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term 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 to produce a constant rate on the capital balance outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

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.

Financial assets and liabilities

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.

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).

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

1. Accounting policies (continued)

Financial assets and liabilities (continued)

- c) 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.
- d) 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.
- e) 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).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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.

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.

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.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

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.

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 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

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, 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.

The significant estimates and assumptions used in the preparation of the Company's Financial Statements are outlined below:

Assets are reviewed for impairment at each balance sheet date to determine if there is any indication of impairment. As part of this review, a discount rate is applied to the Company's projected future cashflows in order to estimate the Company's value in use of its assets. Where this value in use is lower than the carrying value of the assets, an impairment charge is booked.

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.

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.

3. Turnover

Turnover consists of sales to third parties net of trade discounts and excluding VAT and sales related taxes. All turnover originates wholly within the UK.

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

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
United Kingdom	447,046	459,960
Rest of Europe	29,586	32,934
Other	1,769	743
	478,401	493,637

4. Exceptional items

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
Exceptional items reported in operating profit		
Restructuring costs	678	148

Current and prior period exceptional costs of £678,000 (£148,000) comprises of redundancy and associated costs incurred as a result of management and operational restructures.

The tax effect of these exceptional items was a corporation tax credit of £136,000 (2015: £31,000).

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

5. (Loss) / profit before taxation

(Loss) / profit before taxation is arrived at after charging:

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
Auditor's remuneration for audit services	40	40
Operating lease rentals		
- land and buildings	2,106	2,106
- hire of plant and machinery	592	490
Amortisation of goodwill (note 10)	223	223
Government grant amortisation	(113)	(118)
Depreciation on owned tangible fixed assets (note 11)	1,896	2,054

6. Staff numbers and staff costs

Average weekly number of employees, including directors:

Staff costs

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
Wages and salaries	42,128	41,493
Social security costs	3,516	3,513
Pension costs	430	431
	46,074	45,437

	52 weeks ended 30 July 2016 No	52 weeks ended 1 August 2015 No
Production	1,589	1,583
Administration and selling	322	317
	1,911	1,900

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

7. Emoluments of directors

None of the directors received any emoluments from the Company during the period (2015: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £2,195,000 (2015: £2,377,000). It is not practicable to ascertain what proportion of these emoluments relates to the Company. The highest paid director received total emoluments of £1,161,000 (2015: £1,701,000).

No pension contributions were made on behalf of the highest paid director during the period (2015: £nil).

The Group made contributions of £1,000 (2015: £3,000) in respect of money purchase benefits for one director (2015: one director).

8. Net finance charge

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
Interest payable on group loans and overdrafts	1,576	1,406

9. Taxation on (loss) / profit

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
United Kingdom corporation tax		
Current tax credit / (charge) on result for the period	202	(2,681)
Adjustments in respect of prior periods	83	197
Total current tax credit / (charge)	285	(2,484)
Deferred taxation (note 14)		
Net origination of timing differences	132	438
Adjustments in respect of rate change	(431)	(14)
Adjustments in respect of prior periods	50	2,081
Total deferred tax (charge) / credit	(249)	2,505
Total tax credit	36	21

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 30 July 2016.

In addition, Finance Bill 2016 was substantively enacted on 6 September 2016 which introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. As this had not been substantially enacted at the balance sheet date these rates do not apply to the deferred tax position at 30 July 2016 or to the above expected reversal.

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

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

9. Taxation on (loss) / profit (continued)

The corporation tax credit is different to the standard UK corporation tax rate of 20.0% (2015: 20.67%). The differences are analysed below:

	52 weeks ended 30 July 2016 £'000	52 weeks ended 1 August 2015 £'000
Current tax reconciliation		
(Loss) / profit on ordinary activities before taxation	(1,092)	10,350
UK Corporation tax rate of 20.00% (2015: 20.67%)	218	(2,139)
Effects of:		
- Disallowable expenses	116	(104)
- Effect of decrease in tax rates	(431)	(14)
- Adjustments in respect of prior periods	133	2,278
	36	21

10. Intangible assets - goodwill

	Total £'000
Cost	
At 1 August 2015 and 30 July 2016	4,434
Accumulated amortisation	
At 1 August 2015	535
Charge for the period	223
At 30 July 2016	758
Net book value	
At 30 July 2016	3,676
At 1 August 2015	3,899

11. Tangible fixed assets

	Plant & machinery and vehicles £'000
Cost:	
At 1 August 2015	11,502
Additions	2,511
Disposals	(435)
At 30 July 2016	13,578
Depreciation:	
At 1 August 2015	4,775
Charge for the period	1,896
Disposals	(430)
At 30 July 2016	6,241
Net book value	
At 30 July 2016	7,337
At 1 August 2015	6,727

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

12. Inventories

	30 July 2016 £'000	1 August 2015 £'000
Raw materials and consumables	6,651	6,168
Work in progress & finished goods	30,607	25,695
	37,258	31,863

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

13. Debtors: amounts falling due within one year

	30 July 2016 £'000	1 August 2015 £'000
Trade debtors	20,050	24,455
Amounts due from Group undertakings	801	9,440
Other debtors	4,120	1,971
Prepayments and accrued income	1,467	1,677
	26,438	37,543

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

14. Deferred taxation

	30 July 2016 £'000	1 August 2015 £'000
Asset at the start of the period	4,124	1,619
(Charge) / credit to profit and loss account	(299)	424
Adjustments in respect of prior periods	50	2,081
Asset at the end of the period	3,875	4,124

	30 July 2016 £'000	1 August 2015 £'000
Capital allowances	3,679	4,111
Other timing differences	196	13
	3,875	4,124

As at 30 July 2016 the Company had an unrecognised deferred tax asset of £nil (2015: £nil) in relation to capital losses.

During the period commencing 31 July 2016, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £790,000. This is primarily due to availability of capital allowances in excess of depreciation and utilisation of provisions.

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

15. Creditors: amounts falling due within one year

	30 July 2016 £'000	1 August 2015 £'000
Trade creditors	28,487	29,333
Amounts owed to Group undertakings	31,739	34,934
Corporation tax	2,393	2,678
Other taxation and social security	1,020	1,141
Government grants	113	113
Accruals and deferred income	5,399	5,658
	<u>69,151</u>	<u>73,857</u>

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

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

	30 July 2016 £'000	1 August 2015 £'000
Government grants	<u>364</u>	<u>477</u>

17. Provisions for liabilities

	30 July 2016 £'000	1 August 2015 £'000
At the start of the period	-	-
Current period charge to profit and loss account (note 4)	678	-
Utilised in the period	(487)	-
	<u>191</u>	<u>-</u>

The closing balance of £191,000 (2015: £nil), comprises of redundancy provisions. These provisions are expected to be utilised in greater than 12 months.

18. Called up share capital

	30 July 2016 £'000	1 August 2015 £'000
Authorised, called up, allotted and fully paid		
1 Ordinary share of £1	<u>-</u>	<u>-</u>

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

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

19. Financial commitments

Capital commitments

There were capital commitments of £nil (2015: £nil) provided for at the period end.

The Company also had capital commitments of £nil (2015: £nil) which were contracted for but not provided for at the period end.

Operating lease commitments

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

	30 July 2016 £'000	1 August 2015 £'000
Land and building leases expiring		
- Within one year	2,106	2,106
- Two to five years	1,275	3,375
	3,381	5,481
Other leases expiring		
- Within one year	776	525
- Two to five years	1,730	841
	2,506	1,366

20. 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 £430,000 (2015: £431,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. At 30 July 2016 contributions of £66,000 (2015: £63,000) due in respect of the current reporting period had not been paid over to the scheme.

21. 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.

The Company incurred rental charges and associated service charges in the 52 week period ended 30 July 2016 of £2,400,000 (2015: £2,277,000) and made purchases of machinery and other goods of £100,000 (2015: £144,000) from subsidiaries of Amber Real Estates Investments Limited (AREIL), a related party by virtue of common ownership. At the period end the total creditor outstanding was £174,000 (2015: £582,000).

22. Contingent liabilities

Long term funding for the Company and Group is provided primarily through two tranches of Senior Loan Notes; £250m due in 2019 and £330m due 2021, and a euro note of €300m due 2021. In addition, the Group also has a £60m Revolving Credit Facility which remained undrawn during the period and at the period end.

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 £60m Revolving Credit Facility.

The total bond value including accrued interest as at 30 July 2016 was £843,629,000 net of fees (2015: £801,491,000), where the main driver of the increase period-on-period is the impact of foreign exchange rate movement on the euro-denominated bonds.

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

23. 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 30 July 2016 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.

24. First time adoption of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

This is the first period that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the period of transition. The last financial statements under previous UK GAAP were for the period ended 1 August 2015 and the date of transition to FRS 102 was therefore 3 August 2014.

As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

A summary of these changes and their impact on the Company's balance sheet and profit for the 52 weeks ended 1 August 2015 ("the comparative period") is set out below:

Reconciliation of equity	Note	3 August 2014 £'000	1 August 2015 £'000
Equity reported under previous UK GAAP		(1,443)	8,928
Short-term compensated absences	(i)	(82)	(82)
Inventories	(ii)	1,113	1,113
Taxation	(iii)	(15)	(15)
		1,016	1,016
Equity reported under FRS 102		(427)	9,944
Reconciliation of profit and loss for the period ended 1 August 2015			£'000
Profit for the 52 weeks ended 1 August 2015 under previous UK GAAP and under FRS102			10,371

2 Sisters Red Meat Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 July 2016

24. First time adoption of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (continued)

Short-term compensated absences

- i. Under previous UK GAAP, the Company did recognise a provision for short-term compensated absences (i.e. holiday earned but not taken prior to the period-end) for indirect staff. FRS 102 requires the Company to accrue for short-term compensated absences for all employees for holiday entitlement earned but not taken at the balance sheet date. The impact is to increase holiday pay provision by £82,000 (£392,000 in holiday pay accrual offset by £310,000 increase in holiday pay prepayment) for the Company at 3 August 2014 and 1 August 2015 respectively.

Inventories

- ii. As a result of the adoption of FRS 102 the Company has changed how it assesses the cost of its inventories and recognises the cost of its inventories in the profit and loss account. Certain periodic rebates and subsidies the Company receive from suppliers of its raw materials are now included in the assessment of cost, and engineering spares are capitalised and written off over the period they are consumed rather than at the point of purchase as was the case under previous UK GAAP. Upon transition to FRS 102 the impact of this change in accounting policy is to increase the value of the Company's inventories by £1,113,000 as at 3 August 2014 and 1 August 2015.

Deferred tax

- iii. Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value remeasurements, which has resulted in decreasing the Company's deferred tax asset by £15,000 at 3 August 2014 and 1 August 2015.

The adjustment comprises of:

- £14,000 increase relating to the increase in the holiday pay provision;
- (£223,000) reduction relating to the inventory adjustments; and
- An increase of £194,000 increase relating to business combinations. Unlike previous UK GAAP, FRS 102 requires a deferred tax liability / asset to be recognised in respect of historic fair value adjustments made to assets acquired in a business combination.