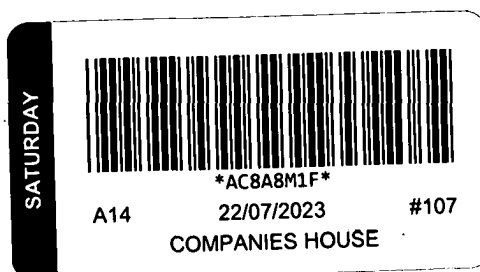


2 Sisters Food Group Limited

Annual report and financial statements

For the 52 weeks ended 30 July 2022

Company registration no. 02826929



2 Sisters Food Group Limited

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2 Sisters Food Group Limited

Officers and professional advisers

Directors

B K Boparan
R S Boparan
R K O Kers (resigned 26 May 2023)
C A Tomkinson
R J Pennycook (appointed 22 May 2023)

Registered office

Trinity Park House
Fox Way
Wakefield
West Yorkshire
WF2 8EE

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London
E14 5HP

HSBC UK Bank PLC
4th Floor
City Point
29 King Street
Leeds
West Yorkshire
LS1 2HL

Goldman Sachs International Bank
Plumtree Court
25 Shoe Lane
London
EC4A 4AU

National Westminster Bank Plc
250 Bishopsgate
London
EC2M 4AA

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 30 July 2022.

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.

On 9 October 2021, the Group announced the transfer, as part of a strategic disposal of trade, goodwill and certain assets of two manufacturing sites to Bernard Matthews Foods (Derby) Limited and Bernard Matthews Foods (Sunderland) Limited, both related companies, see note 5 for further details.

The results are shown in the statement of comprehensive income on page 19. The Company has made a loss after tax in the period of £82,927,000 (2021: loss of £74,921,000).

Trading performance and key performance indicators

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

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Turnover	1,425,634	1,407,121
Gross profit margin	7.6%	6.4%
Operating loss before exceptional costs	(29,518)	(44,855)
Loss before taxation	(93,759)	(95,487)

Turnover for the 52 weeks ended 30 July 2022 was £1,425,634,000 (31 July 2021: £1,407,121,000), an increase of 1.3% due to customer tender wins and new product launches. The gross margin has increased from 6.4% in the prior period to 7.6%. The performance of the business in the first half of the period was significantly impacted by inflation, particularly due to the timing and speed of the increases in costs. Performance in the second half of the period improved as these impacts were largely mitigated by a successful inflation recovery programme, which, alongside more stable operations, is why performance improved significantly year on year. The second half of the period also benefitted from the impact of a disposal of a loss-making part of the poultry operation in the Derby and Sunderland sites. The pre-exceptional operating loss has decreased year on year from a loss of £44,855,000 to a loss of £29,518,000.

The Company received exceptional income of £49,000 (2021: £12,826,000 expense) (see note 4 for further details) leaving an operating loss of £29,469,000 (2021: £57,681,000).

The Company had net liabilities of £371,450,000 as at 30 July 2022 (31 July 2021: £288,660,000) and net current liabilities of £479,107,000 (31 July 2021: £408,973,000).

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 for as long as the Company remains within the Group. The Company does not have any direct 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 30 July 2022 ("the Group annual report"). These are available as detailed in note 26.

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'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.

The performance of the business in the first half of the period was significantly impacted by inflation, particularly due to the timing and speed of the increases in costs. Performance in the second half of the period improved as these impacts were largely mitigated by a mostly successful inflation recovery programme, which, alongside more stable operations, is why performance improved significantly year on year. The second half of the period also benefitted from the impact of a disposal of a loss making part of the poultry operation in the Derby and Sunderland sites.

At the very end of the period the UK experienced a period of extraordinary hot weather which resulted in disruption to our agricultural operation due to the extreme heat during July 2022. The Company now seeks to deal with additional issues brought by climate change. Periods of extreme weather, especially heat, could result in significant disruption to our agricultural supply base.

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 26.

Our stakeholders **Section 172(1) statement**

As a Board, we understand our long-term growth and success are dependent on engagement with all stakeholders. We continually consider how to make our decision making process more inclusive in order to involve our key stakeholders.

The leadership teams of the Group and each business unit make decisions in accordance with highest standards and Group policies with the long term success of the Group in mind. In taking these decisions, the Directors and leadership teams have regard for the likely consequence on the different stakeholders in both the short and long term.

Sustainability is a key priority for us and we will be launching our Group wide strategy imminently. We will contribute to a better world by feeding people great tasting, sustainably produced, healthy chicken and meal solutions, now and in the future. As a financially sustainable Group, our sustainability strategy will minimise our impact on the environment, drive a responsible supply chain, engage and motivate our colleagues and support the communities in which we operate.

We engage with our colleagues and their representatives, our customers and suppliers, our bondholders and pension trustees to ensure we produce and supply food in a safe and efficient way. It is our ambition to be the employer of choice within the Food Manufacturing Industry and to be welcomed and seen as a key part of the local community in which we operate.

2 Sisters Food Group Limited

Strategic report (continued)

Engagement with our main stakeholder groups is summarised below.

Stakeholder	Why we engage	How we engage	What matters most to our stakeholders	How we are responding
<i>Our people</i>				
	It is our colleagues that drive the business. We want our colleagues to feel valued, so it is important to understand what matters to them	<p>Internal communication of developments</p> <p>Staff engagement surveys and "temperature" checks</p> <p>Intranet</p> <p>Appraisals process</p> <p>Colleague magazine</p>	<p>Employee health & safety</p> <p>Employee wellbeing</p> <p>Career and personal development opportunities</p> <p>Employee engagement & retention</p> <p>Fair pay and conditions</p> <p>Improved working environment</p>	<p>We have clear sustainability initiatives for our colleagues across Engagement; Recruitment & Retention; Diversity & Inclusion; and Health, Safety & Wellbeing</p> <p>We are driving engagement initiatives, with clear targets for employee engagement score improvement</p> <p>We have focused colleague communications, supported by the introduction of the 2SFG Hub, our dedicated Colleague App</p> <p>We have maintained a successful graduate programme over the last 3 years and progressed those individuals who have completed the programme into suitable roles within the Group</p> <p>We undertake regular pay reviews within the local area to ensure our pay is competitive</p> <p>We are committed to protecting the health, safety, and welfare of our colleagues. Wellbeing in and out of work is important. Our occupational health teams work with organisations who cover a spectrum of support such as GroceryAid, our Employee Assistance Programme and Andy's Man Club</p> <p>Recognition awards within the Group were created with a view to recognising and celebrating colleagues who have gone above and beyond</p> <p>We provide support to our colleagues to ensure access to continued training through events such as adult learners week</p> <p>We have instigated new Health and Safety at work programmes such as our Safe 2 Move campaign</p>

2 Sisters Food Group Limited

Strategic report (continued)

Stakeholder	Why we engage	How we engage	What matters most to our stakeholders	How we are responding
<i>Our customers</i>				
	<p>We need to understand customer and consumer demands in order to create innovative products and respond to new trends</p> <p>By engaging and sharing ideas with customers we can identify new ways of working together</p>	<p>Key teams engage with customers in all areas to ensure effective communication</p>	<p>Our customers want quality products at a price that represent value for money underpinned by good levels of service</p> <p>Sustainability is an important consideration as our consumers focus on the overall impact of their food choices on the environment</p>	<p>We continue to focus on new product development to meet emerging consumer trends including changes in consumer demand patterns as a result of the cost of living crisis</p> <p>The Group works closely with retail customers to ensure we can address customer demand patterns and deliver mutually incentivising commercial structures</p> <p>Sustainability is hugely important both to us and our customers as we aim to meet sustainability expectations; we have focused plans and investments to be better under each of our 6 sustainability pillars of Environment; Sourcing; Products; Agriculture; Colleagues & Community; and Investors</p> <p>Our customers want quality products delivered at consistent service levels. We engage with our customers to ensure consistent and stable supply chains</p>
<i>Our suppliers</i>				
	<p>We work closely with suppliers who share our values and beliefs in food safety, provenance and quality</p>	<p>Audits and visits</p> <p>Supplier policies</p>	<p>We need to ensure raw materials, ingredients and packaging are supplied at the right time to the right place and that the supply chain is transparent and sustainable on reasonable payment terms</p>	<p>We continue to undertake supplier audits to ensure the safety, traceability, quality and provenance of the raw materials that we use</p> <p>We source ingredients responsibly, aiming to minimise our impact on the environment and to respect the livelihoods of those working in our supply chain, both the poultry growers and in the supply of feed commodities</p>

2 Sisters Food Group Limited

Strategic report (continued)

Stakeholder	Why we engage	How we engage	What matters most to our stakeholders	How we are responding
Trade bodies, industry and government groups				
	<p>We work with many trade bodies including, British Poultry Council (BPC), Chilled Food Association (CFA) and Red Tractor. We also actively engage in key industry groups such as Food Industry Intelligence Network (Fiin), Food Industry Initiatives on Antimicrobials (FIIA) and Food Network, Ethical Trade (FNET), and DEFRA and Public Health England (PHE) engaged through the Food Resilience Industry Forum</p>	<p>Our directors and senior management sit on steering committees, groups & boards including co-chairing some prominent industry groups such as FIIN and the IGD Sustainable Diets Forum</p>	<p>BPC sets policies for the poultry industry; Red Tractor provides assurance that products are safe, traceable and farmed with care, and the RSPCA certifies higher welfare farming systems. FIIN shares industry Intelligence on Food integrity. FIIA supports farming practices for reduction and responsible use of antibiotics. FNET supports ethical trade and human rights especially in our supply chains</p>	<p>We continue to provide input, resources and leadership into these groups for the benefit of our business, the sectors we operate in and the food industry as a whole</p> <p>The Group has a comprehensive supplier management programme to assure the safety, quality and integrity of our end to end supply chain</p> <p>This programme encompasses physical audits, integrity testing and traceability challenges. In the last 12 months the supply chain team conducted 262 audits and 876 desk top approvals, completed 240 integrity and provenance tests and 283 traceability challenges.</p> <p>In addition to this, 332 audits of farms hatcheries and feed mills across our farming operations were completed, together with 300 traceability audits</p>
Our communities				
	<p>We produce from 16 facilities across the UK covering multiple towns and cities. We want to be part of these communities and give back where we can</p>	<p>Foodbank donations</p> <p>Working with local schools and universities</p> <p>Charity fundraising</p> <p>Providing employment</p>	<p>Local communities have a justifiable expectation that businesses operate safely and sustainably. We need to reduce edible food waste and increase the amount of food that can be shared in the community</p>	<p>We support a wide range of projects within our local communities</p> <p>We work with community groups such as FareShare or The Pantry to donate food or equipment to those within our local communities who need it most</p> <p>Some of our sites have signed the Armed Forces Covenant and have been awarded the bronze employer recognition award in recognition of their pledge to support Service Leavers and their spouses</p>

2 Sisters Food Group Limited

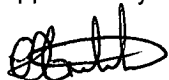
Strategic report (continued)

Stakeholder	Why we engage	How we engage	What matters most to our stakeholders	How we are responding
<i>Our financial creditors, pension trustees and shareholders</i>				
	<p>The Group is funded through the public markets in conjunction with a supportive banking group.</p> <p>The Group has defined benefit pension plans that are currently in deficit (on an actuarial basis).</p> <p>Along with the shareholders, these external funders and pension trustees, these external stakeholders rely on timely, accurate and insightful reporting from the Group to manage their risks</p>	<p>Annual Financial Accounts</p> <p>Quarterly updates to lenders including trading updates, financial statement and outlook</p> <p>Regular update meetings with the Chair of the pension trustees</p> <p>Regular announcements and press releases</p> <p>Website including Investor Relations section</p>	<p>The commercial success and financial health of the Group is paramount to our lenders as they assess their appetite to support the Group going forward and our pension trustees, as they monitor our covenant strength.</p>	<p>We provide regular financial updates to key financial stakeholders to ensure they have the latest available information on our performance</p> <p>Regular investor roadshows throughout the financial year, including extensive Q&A sessions outlining our strategies and results</p> <p>Further dialogue is via our Investor Relations team who respond to any further queries</p> <p>The Group regularly engages and updates the trustees with business performance and are actively engaged with the trustees on the ongoing liability and investment management of the schemes</p>

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

18 July 2023

2 Sisters Food Group Limited

Governance Report

For the year ended 30 July 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

Principle 1 – Company Purpose and Values

We started out from very humble beginnings in the early 1990s, and from there the Company and Group has grown to become one of the leading food manufacturing companies in Europe, producing great quality, great value food.

We employ more than 15,000 colleagues drawn from over 40 nationalities to make some of the finest food in Britain - from poultry to pizza to pies and from ready meals to ranges of soup. Our teams, working at factories and office locations in England, Scotland, Wales, the Republic of Ireland, the Netherlands and Poland, and are the main reason why our company delivers day in, day out.

The Group's stated aim is we want to be the leading Poultry Plus business in Europe; our ambition is:

- To be one team where everyone counts;
- To buy for less, produce for less, sell more for less;
- For our customers to be at the heart of everything we do;
- To relentlessly innovate to the delight of our customers; and
- To make every penny count.

These are summarised in our ADART behavioural values relaunched in May 2019: Accountability, Discipline, Agility, Respect and Transparency.

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose. In this respect:-

- Shareholders are represented on the board to ensure an understanding of their views;
- We have identified the main stakeholders for BHL as being colleagues, customers, suppliers, bond holders, pension trustees & the Pension Regulator;
- We regularly engage with all stakeholders, with updates to colleagues at all levels on a regular basis; business reviews with customers and key suppliers; quarterly updates given to bond holders; regular meeting with pension trustees; updates on material events to the Pension Regulator;
- We launched our ADART behaviours in May 2019 and these are included in on-going performance management; and
- We have an established whistleblowing procedure in place which are reported on in the SAG and Audit committees, thereby covering both financial and non financial governance; this was re-launched in June 2021.

Principle 2 - Board Composition

The Company and Group has a single management board with several sub committees, each with different responsibilities and accountabilities. The roles of Chair, Chief Executive Officer and President are defined and distinct.

The main management board, led by a Non-Executive Chairman, provides the governance control for the business. The Chair is joined on the board by the Chief Executive Officer, Chief Financial Officer, President, representatives of the ultimate shareholders and two other independent non-executive directors.

The Independent Non-Executive Directors of the Board are wholly independent in that they have no material business or relationships with the Company that might influence their independence or judgement.

The Chair plays a key role in providing the overall conditions and framework to allow the main Board to govern effectively. Board members represent a wide range of experiences, knowledge and disciplines appropriate for the organisation. Board meetings enable broad discussion, opinion and challenge and facilitate decision making.

2 Sisters Food Group Limited

Governance report (continued)

Principle 2 - Board Composition (continued)

In addition, certain governance responsibilities are delegated to Board sub committees. Richard Pennycook, the Chair, also chairs the Financing & Pensions Committee, on which the two other non-executive directors also sit. These two non-executive directors also sit on the Remuneration and Audit Committees, with the Audit Committee chaired by Ian Ellis and the Remuneration Committee chaired by David Gregory. David Gregory also chairs the Safety and Governance Committee.

Principle 3 - Director Responsibilities

The Board and individual Directors have a clear understanding of their accountability and responsibilities. The board's policies and procedures support effective decision-making and independent challenge.

The Company and Group looks to provide a strong governance framework to allow its boards and committees to make clear and considered decisions based on a full understanding of their accountability and responsibilities. The structure and organisation of the business is clearly defined and documented, and the Board has access to reports ahead of Board meetings to give opportunity to review and then challenge.

The main Board meets a minimum of eight times a year, supported by Audit and Safety & Governance committee meetings on at least a quarterly basis and Financing & Pension and Remuneration committee meetings as and when required.

The Board and committees receive regular and timely information to support their work, including reports on financial performance, commercial and market analysis, people and culture, health and safety, procurement, technical delivery, sustainability and risk status.

Integrity of information is critical in allowing the Directors to exercise their duties and responsibilities. Key financial information is collated from the Group's various accounting systems. The Group's finance function has appropriately qualified staff in each business to ensure the integrity of this information.

Financial controls are reviewed as part of an internal audit programme. Their work schedule is set each year in agreement with, and findings reported to, the Audit Committee.

Principle 4 - Opportunity and Risk

The Board looks to promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Company and Group seeks to deliver profitable growth opportunities that will benefit all its stakeholders whilst mitigating risks that may arise and is focussed on creating long term value.

Opportunity

The main Board develops, documents and communicates the business strategy. This optimises opportunities identified for the Group to develop and improve its products and services for its customers, as well as its performance and operations. Please see the Strategic Report for further information.

Risk

The Company and Group is currently developing and strengthening its risk management framework to mitigate the risks faced by the business, with internal controls reviewed by the Group's Internal Audit function and reported on to the Audit Committee. The Group's key operational risks are described in the Strategic Report, with risk reviews undertaken and reviewed by the Audit Committee.

Performance of each business is reviewed by the CEO & CFO at monthly business performance review ("BPR"); KPIs for each business, and each site are developed and reviewed as part of the BPR.

2 Sisters Food Group Limited

Governance report (continued)

Principle 4 - Opportunity and Risk (continued)

Responsibilities

The Company and Group has a documented "Board book" to provide a framework of rules, processes and delegated authorities. Responsibility for day-to day financial and operational control rests with the divisional management. However, certain decisions are reserved to the main board or a relevant sub-committee. This ensures that all expenditure, investments and commitments are subject to appropriate review and approval by the business.

Principle 5 – Remuneration

The Board looks to promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company and the wider industry. The Remuneration Committee has the responsibility for managing Executive and Senior Management remuneration.

The Remuneration Committee's primary objectives are to set the policy and strategy for the remuneration and development of key members of the central and divisional management teams. This is intended to ensure that we have the best people in our business. The remuneration policy shall cover:

- (i) base salary;
- (ii) performance related remuneration to align the interest of the Directors and the Shareholders and reward their individual contributions to the success of the company;
- (iii) benefits in kind; and
- (iv) pensions.

The Remuneration Committee is also to approve the design of, and determine the targets for, any performance related incentive schemes and approve the calculation and payment of all awards.

The Company and Group is an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

Principle 6 - Stakeholders

The Directors foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

For details of how we engage with our stakeholders please see the section 172 (1) statement that forms part of this report by cross reference.

2 Sisters Food Group Limited

Directors' report

The directors present their annual report and audited financial statements for the 52 weeks ended 30 July 2022.

Directors

The directors who served during the period ended 30 July 2022 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 (2021: £nil). The directors do not recommend the payment of a final dividend (2021: £nil).

Donations

The Company has not made any charitable donations during the period (2021: £nil).

Engagement with suppliers, customers and others

For details on how the company engages with suppliers, customers and others see the section 172 statement on page 4 of the strategic report.

Going concern

Details of the going concern basis of preparation of the Group can be found in the Strategic Report on page 7 and in note 1 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 26.

Employees

Details of the number of employees and related costs can be found in note 7.

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.

2 Sisters Food Group Limited

Directors' report (continued)

Sustainability

As a leading food business, we recognise that success means anticipating the impacts of climate change and the pressures on the world's resources, and building sustainability into our business strategy. Our strategy is informed by the UN Sustainable Development Goals, a framework to promote prosperity while protecting the planet.

In terms of reducing our environmental impact, we have set targets to reduce greenhouse gas (GHG) emissions, energy and water use within our processing and manufacturing operations. We have made a public commitment to reduce the amount of plastic we use and ensure that 90% of the plastic in our product packaging is recyclable. We are measuring the GHG emissions of our UK poultry and exploring means to make reductions in its carbon footprint. Through the IGD/WRAP Food Waste Reduction Roadmap, we have committed to halve food waste in our operations by 2030. By sourcing ingredients responsibly, we aim to minimise our impact on the environment and respect the livelihoods of those working in our supply chains; we apply the same approach to feed commodities such as soymeal. It is our ambition to be the employer of choice within the Food Manufacturing Industry and to be welcomed and seen as a key part of the local community in which we operate.

The UK is already experiencing the impacts of climate change and can anticipate further alterations to our climate even if globally we achieve the ambitions of the Paris Agreement and limit warming to 1.5oC.

We have identified a number of climate change related risks to our business including both acute and chronic physical risks.

Acute risks include heavy and prolonged rainfall with the potential for flooding. During the summer months there is the risk of high temperatures which could put pressure on maintenance of the chill chain for food and raw materials, and impact production cycles in our agriculture supply base.

On a practical level we are also focusing our plans and investments both to address the short term impacts such as the excessive heat seen this summer to putting in place a road map to achieve our Net Zero ambition.

Chronic risks include availability of sufficient water in our processing facilities and agricultural supply chains, and management of waste water and effluent to avoid damage to ecosystems. Extension of seasonal pest and disease cycles are a further chronic risk to our supply chains.

The business is taking steps to mitigate the impacts of climate change such as infrastructure improvements, upgrading refrigeration plant at processing sites and implementing targets for resource efficiency as outlined above. The wellbeing of colleagues in our facilities and supply chains is a priority in all scenarios.

Group energy consumption

Period	Total UK energy consumption Kwh	UK energy consumption Kwh per tonne product
2021/22	486,031,693	547.4
2020/21	593,082,290	618.9
2019/20	658,600,643	652.5

2 Sisters Food Group Limited

Sustainability (continued)

Group GHG emissions

Period	Total UK GHG emissions tonnes CO ₂ e	UK GHG emissions tonnes CO ₂ e per tonne product
2021/22	137,445.7	0.154
2020/21	130,476.8	0.136
2019/20	148,253.5	0.147

On the above GHG emissions figures show an increase in FY21-22 from FY20-21 due to inclusion of CO₂e used for stunning process at slaughterhouses. If the GHG emissions figures had been prepared on a like for like basis with FY20-21, the total UK GHG emissions tonnes CO₂e would have been 122,772 and 0.1383 tonnes CO₂e per tonne product.

The Group is preparing for Phase 3 of the Energy Savings Opportunities Scheme. All surveys shall be completed by December 2023.

Manufacturing and processing sites were previously provided with a report detailing energy saving opportunities from Phase 2 of the ESOS scheme. Energy efficiency measures taken at sites, both in the current year and prior year include switching to energy efficient lighting systems, improvements to efficiency of refrigeration and boilers, lagging of pipework, management of air compressors and installation of inverters. These measures have been guided by individual ESOS recommendations at each site rather than a single Group wide approach.

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.

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.

Post balance sheet events

Details of the post balance sheet events can be found in note 27 and form part of this report by cross-reference.

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
18 July 2023

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.

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 30 July 2022 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 comprehensive income;
- the balance sheet;
- statement of changes in equity; and
- the related notes 1 to 27.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performed testing of the key controls surrounding management's assessment of going concern
- Reviewed and challenged managements forecasts and budgets for a minimum of a 12-month period post approval of the financial statements;
- Performed testing of the clerical accuracy of the model used for the forecast;
- Considered the headroom within the forecasts against available finance facilities coupled with analysing the impact of any changes in assumptions through sensitivity analysis and managements reverse stress test;
- Reviewed post year end management accounts up to the date of signing to compare post year-end performance to forecasts and understood the key variances to the forecast;
- Assessed the impact of Covid-19, inflationary cost increases and cost of living crisis and Brexit on the current year performance and understood how the ongoing impact of this has been factored into covenant analysis;
- Reviewed management's board paper of the going concern assessment; and
- Reviewed the disclosures that management have included in the financial statement and concluded these are in line with the results of the forecasts and sensitivities performed.

2 Sisters Food Group Limited

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

2 Sisters Food Group Limited

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Health & Safety at Work legislation, Data Protection Act, Pension Legislation, Food Hygiene Act, Grocery Supply Code of Practice and Sale of Goods Act.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Completeness of the deductions to the profit and loss for commercial accruals and debit note provisions.

We have performed recalculations of a sample of amounts accrued based on sales and volume data to check that the retrospective deductions have been made. A review has been performed of post year end debit notes to ensure an accrual was in place at the year end date. Furthermore, we have reviewed a sample of commercial agreements to ensure the deductions are being made in line with the contract terms and we have performed checks over the completeness of accruals and related commercial agreements through comparison year on year.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports and reviewing correspondence with HMRC.

2 Sisters Food Group Limited

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

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.

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.



Michael Jeffrey FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds
18 July 2023

2 Sisters Food Group Limited

Statement of comprehensive income For the 52 weeks ended 30 July 2022

	Note	52 weeks ended 30 July 2022 £'000	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000	52 weeks ended 31 July 2021 £'000
Turnover	3		1,425,634		1,407,121
Cost of sales			(1,317,203)		(1,316,661)
Gross profit			108,431		90,460
Distribution costs			(103,608)		(99,935)
Administrative expenses					
- before exceptional costs		(34,341)		(35,380)	
- exceptional income / (costs)	4	49		(12,826)	
			(34,292)		(48,206)
Operating loss					
- before exceptional income / (costs)		(29,518)		(44,855)	
- exceptional income / (costs)	4	49		(12,826)	
Operating loss			(29,469)		(57,681)
Net finance charge	9		(47,985)		(37,806)
Loss on sale of operations	5		(16,305)		-
Loss before taxation	6		(93,759)		(95,487)
Taxation credit on loss	10		10,832		20,566
Loss for the financial period			(82,927)		(74,921)
Remeasurement of net defined benefit pension liability	23		198		1,353
Tax relating to components of other comprehensive income	10		(61)		(280)
Other comprehensive profit for the period			137		1,073
Total comprehensive loss for the period			(82,790)		(73,848)

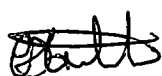
All amounts in the current and prior periods relate to continuing activities.

2 Sisters Food Group Limited

Balance sheet At 30 July 2022

	Note	30 July 2022 £'000	31 July 2021 £'000
Fixed assets			
Intangible assets	11	4,280	7,066
Tangible assets	12	99,465	108,803
Investments	13	9,498	9,498
		113,243	125,367
Current assets			
Inventories	14	26,792	30,051
Debtors			
- due within one year	15	219,679	226,101
- due after one year	15	448,232	448,232
Deferred tax asset due after more than one year	16	25,796	16,657
Cash at bank and in hand		46,872	9,330
		767,371	730,371
Creditors: amounts falling due within one year	17	(1,246,478)	(1,139,344)
		(479,107)	(408,973)
Net current liabilities		(365,864)	(283,606)
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	(2,281)	(2,598)
Provisions for liabilities	19	(3,305)	(2,261)
Net liabilities excluding pension scheme deficit		(371,450)	(288,465)
Pension scheme deficit	23	-	(195)
Net liabilities		(371,450)	(288,660)
Capital and reserves			
Called up share capital	21	5	5
Capital redemption reserve	21	5	5
Profit and loss account		(371,460)	(288,670)
Shareholders' deficit		(371,450)	(288,660)

These financial statements of 2 Sisters Food Group Limited were approved by the Board of Directors and authorised for issue on 18 July 2023. They were signed on its behalf by:



C A Tomkinson
Director

2 Sisters Food Group

Statement of changes in equity As at 30 July 2022

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 1 August 2020	5	5	(214,822)	(214,812)
Loss for the financial period	-	-	(74,921)	(74,921)
Remeasurement of net defined benefit pension liability	-	-	1,353	1,353
Tax relating to components of other comprehensive income	-	-	(280)	(280)
Total comprehensive loss	-	-	(73,848)	(73,848)
At 31 July 2021	5	5	(288,670)	(288,660)
Loss for the financial period	-	-	(82,927)	(82,927)
Remeasurement of net defined benefit pension liability	-	-	198	198
Tax relating to components of other comprehensive expense	-	-	(61)	(61)
Total comprehensive loss	-	-	(82,790)	(82,790)
At 30 July 2022	5	5	(371,460)	(371,450)

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

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 26. Therefore, these financial statements present information about the Company as an individual undertaking and not about its group.

Going Concern

In determining whether the Company report can be prepared on a going concern basis, the directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review included the financial position of the Group, its cash flows, liquidity position, borrowing facilities and covenants. The entity is supported via intercompany funding and will continue to operate as a key financing entity for the group via a pass-through model. The company is therefore reliant on support from the wider Group.

The parent company, Boparan Holdings Limited (BHL), 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 18 months from the date of approval of the financial statements, as long as the Company remains within the Group.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

1. Accounting Policies (continued)

Going concern

The going concern of the Company is therefore dependent on the going concern of the Group.

The key factors considered by the directors were as follows:

- consideration of detailed forecasts prepared for the 18-month period from the date of approval of the financial statements and the application of sensitivities to those forecasts;
- the implications of the ongoing challenging economic environment and future uncertainties on the Company and Groups' revenues and profits and its ability to meet financial covenants;
- the impact of the competitive environment within which the Company and 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 Company and Group's access to a committed bank facility, a fixed rate Bond debt with a November 2025 maturity and invoice discounting facility to meet day to day working capital requirements, and the ability of the Group to service this debt;
- the impact of avian influenza on the business and its poultry operations;
- the potential impact of cost inflation, including the volatility in the prices of energy and industrial gases and the recovery of the same from customers;
- expected changes in customer demand patterns in response to high inflation and energy costs; and
- the volatility in the wider UK economy and associated financial markets, and its potential impacts upon the cashflows and credit facilities for the business.

Consistent with previous periods the Company has prepared a base case and a reasonable worst-case scenario, reflecting a 20% reduction in EBITDA, negative working capital overlay and mitigations in the form of a reduction in discretionary capex spend, over and above those reflected in the base case. Under both scenarios, no breach is identified in respect of either the cash or covenant headroom.

Overall, financial performance has tracked broadly in line with the base case set out at the time of the interim financial report as at 28 January 2023. This, combined with updates to the forecasts and the strengthening of liquidity ensure that the Company and wider Group has sufficient liquidity to discharge its obligations as they fall due, without the need for further disposal transactions or additional short-term funding.

Furthermore, should there be a more severe set of circumstances than those assumed in the reasonable worst case, the Company and Group would action a number of other mitigations available to it including, but not limited to, curtailment of capital expenditure, deep and broad cost cutting measures and halt to discretionary spend.

In conclusion, having assessed a reasonable worst-case scenario the directors have a reasonable expectation that the Company and the Group 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, these financial statements for the year ended 30 July 2022 have been prepared on a going concern basis.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

1. Accounting Policies (continued)

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.

Exceptional costs

In order to ensure comparability between the Company's results year on year, the Directors present certain items separately in exceptional items, so that the reader of the accounts can better understand the underlying performance of the business.

The decision to present an item as highlighted is a judgement of the Directors and is reserved for items of a non-recurring nature, or of a such significant size that they would distort the results of any particular period. For further information on items disclosed in the period see note 4.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

1. Accounting Policies (continued)

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.

If the present value of the any defined benefit obligation is less than the fair value of plan assets at that date, such that the plan has a surplus, the plan surplus will be recognised as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

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.

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.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

1. Accounting Policies (continued)

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.

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 30 July 2022

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:

Land and buildings	2% - 20%
Plant and machinery	6.7% - 25%
Fixtures, fittings, tools and equipment	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 30 July 2022

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 using the FIFO method. 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 30 July 2022

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 30 July 2022

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.

Joint ventures

In the Company financial statements, investments in joint ventures are accounted for using the equity method. The consolidated profit and loss account includes the Company's share of the joint venture's profits less losses, with the Company's share of the net assets of the joint venture being shown in the consolidated balance sheet.

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

There are no critical judgements 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.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

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.

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 14.

Recognition of deferred tax assets

The Company recognised a deferred tax asset of £25,796,000 (2021: £16,657,000) 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, £25,796,000 (2021: £16,657,000) relates to timing differences on pensions and capital allowances.

Recognition 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 16.

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.

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.

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 30 July 2022 by independent qualified actuaries. Further details on the assumptions applied can be found in note 23.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

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 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
United Kingdom	1,413,836	1,386,811
Rest of Europe	5,684	13,125
Other	6,114	7,185
	1,425,634	1,407,121

4. Exceptional costs

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Exceptional (income) / costs	(49)	12,826
	(49)	12,826

During the year, the Company released surplus exceptional provisions in the period totalling £49,000 (2021: £44,000 exceptional income) in relation to site closures. Additionally, in the prior period the Company impaired assets in relation to the Derby site (2021: £12,870,000).

The tax effect of these costs was a corporation tax credit of £9,000 (2021: £nil) and a deferred tax credit of £nil (2021: £2,931,000).

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

5. Loss on sale of operations

On 9 October 2021 the Group announced the transfer of the goodwill and certain assets of two manufacturing sites to Bernard Matthews Foods (Derby) Limited and Bernard Matthews Foods (Sunderland) Limited, both are related companies. The reverse consideration was satisfied by the transfer of finished goods. The loss after tax up to the date of disposal was £5.1m.

	Bernard Matthews Foods* £'000
Fixed assets	2,488
Current assets	7,861
Net assets	10,349
Goodwill	1,644
Loss on disposal	(16,305)
Reverse consideration	(4,312)
Satisfied by:	
Cash and cash equivalents	-

The disposal of Bernard Matthews Foods (Derby) Limited and Bernard Matthews Foods (Sunderland) Limited was satisfied by the transfer of finished goods.

* Bernard Matthews Foods relates to the two limited companies Bernard Matthews Foods (Derby) Limited and Bernard Matthews Foods (Sunderland) Limited.

52 weeks ended 31 July 2021

There were no disposals made in the period.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

6. Loss before taxation

Loss before taxation is arrived at after charging:

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Auditor's remuneration audit of financial statements	82	82
Operating lease rentals:		
- hire of plant and machinery	8,463	5,477
- other	4,758	5,031
Amortisation of goodwill (note 11)	907	1,093
Amortisation of software (note 11)	235	252
Depreciation of owned tangible fixed assets (note 12)	9,371	20,102
Depreciation of leased tangible fixed assets (note 12)	9,566	3,263
Impairment of tangible fixed assets (note 12)	-	12,870
Defined contribution pension costs (note 23)	5,226	5,186
Impairment of stock	1,600	2,700

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

7. Staff numbers and costs

Staff costs (including directors), consists of:

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Wages and salaries	209,878	209,251
Social security costs	21,601	20,624
Pension costs	5,226	5,186
	236,705	235,061

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

	52 weeks ended 30 July 2022	52 weeks ended 31 July 2021
Production	7,467	8,716
Administration and selling	720	762
	8,187	9,478

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

8. Emoluments of directors

None of the directors received any emoluments from the Company during the period (2021: £nil). The directors are remunerated by other group companies. The directors received combined emoluments of £5,302,000 (2021: £5,606,000). It is not practicable to ascertain what proportion of these emoluments relates to the Company. The highest paid director received total emoluments of £3,132,000 (2021: £3,094,000).

No pension contributions were made on behalf of the highest paid director during the period (2021: £nil).

The Group made contributions of £5,000 (2021: £5,000) in respect of money purchase benefits for one Company director (2021: one director).

9. Net finance charge

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Interest receivable on Group loans	33,033	30,411
Interest payable on Group loans	(80,954)	(68,021)
Interest payable on finance leases	(61)	(175)
Net charge on defined benefit pension liability	(3)	(21)
	<u>(47,985)</u>	<u>(37,806)</u>

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

10. Taxation on loss

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
United Kingdom corporation tax		
Current tax credit on result for the period	14,674	19,528
Adjustments in respect of prior periods	(13,042)	(1,683)
Total current tax credit for the period	1,632	17,845
Deferred taxation (note 15)		
Net origination of timing differences	5,926	(2,557)
Adjustments in respect of rate change	-	2,829
Adjustments in respect of prior periods	3,274	2,449
Total deferred tax credit for the period	9,200	2,721
Total tax credit recognised in loss for period	10,832	20,566
Deferred tax on pension scheme	(61)	(280)
Tax credit recognised in other comprehensive income	(61)	(280)
Tax credit recognised in total comprehensive income	10,771	20,286

The standard rate of tax applied to reported profit on is 19.0% (2021: 19.0%).

Finance Bill 2021 was substantively enacted on 24 May 2021 with provisions to increase the corporation tax rate from 19% to 25% with effect from 1 April 2023. Accordingly, when calculating the deferred tax assets and liabilities as at 30 July 2022, all timing differences expected to reverse prior to 1 April 2023 have been calculated using the existing corporation tax rate of 19% and all timing differences expected to reverse after this date have been calculated using the corporation tax rate of 25%.

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 30 July 2022

10. Taxation on loss (continued)

The corporation tax credit is different to the standard UK corporation tax rate of 19.0% (2021: 19.0%). The differences are analysed below:

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Current tax reconciliation		
Loss before taxation	(93,759)	(95,487)
UK Corporation tax rate of 19.0% (2021: 19.0%)	17,814	18,143
Effects of:		
- Expenses not deductible for tax purposes	(1,802)	843
- Difference in tax rate	3,274	2,829
- Adjustments in respect of prior periods	(13,042)	862
- Transfer pricing adjustments	247	184
- Recognition / (de-recognition) of deferred tax asset	4,597	(2,059)
- Group relief not paid for	(256)	(236)
Tax credit on loss for the period	10,832	20,566

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

11. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 August 2021	31,193	1,133	32,326
Disposal of sale of operations (note 5)	(6,388)	-	(6,388)
At 30 July 2022	24,805	1,133	25,938
Accumulated amortisation			
At 1 August 2021	24,362	898	25,260
Charge for the period	907	235	1,142
Disposal of sale of operations (note 5)	(4,744)	-	(4,744)
At 30 July 2022	20,525	1,133	21,658
Net book value			
At 30 July 2022	4,280	-	4,280
At 31 July 2021	6,831	235	7,066

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

12. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost:				
At 1 August 2021	44,053	219,848	19,001	282,902
Additions	621	10,956	719	12,296
Disposals as a result of sale of operations (note 5)	(2,919)	(6,332)	-	(9,251)
Disposals	-	(3,182)	(11)	(3,193)
At 30 July 2022	41,755	221,290	19,709	282,754
Depreciation:				
At 1 August 2021	29,410	131,603	13,086	174,099
Charge for the period	1,728	16,257	952	18,937
Disposals as a result of sale of operations (note 5)	(1,430)	(5,333)	-	(6,763)
Disposals	-	(2,973)	(11)	(2,984)
At 30 July 2022	29,708	139,554	14,027	183,289
Net book value				
At 30 July 2022	12,047	81,736	5,682	99,465
At 31 July 2021	14,643	88,245	5,915	108,803

Included in plant and machinery are assets with a net book value amounting to £nil (2021: £9,566,000) held under finance leases. Depreciation charged on these assets in the period amounted to £9,566,000 (2021: £3,263,000).

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

13. Fixed asset investments

	30 July 2022 £'000	31 July 2021 £'000
Cost		
At start and end of period	9,498	9,498

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 Rannoch 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 30 July 2022

14. Inventories

	30 July 2022 £'000	31 July 2021 £'000
Raw materials and consumables	10,424	15,335
Work in progress	3,385	2,121
Finished goods and goods for resale	12,983	12,595
	26,792	30,051

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

15. Debtors

	30 July 2022 £'000	31 July 2021 £'000
Amounts due within one year:		
Trade debtors	49,729	46,498
Amounts due from Group undertakings	5,323	6,696
Amounts due from parent undertaking	136,059	133,632
Other debtors	8,780	11,365
Prepayments	4,040	7,166
Corporation tax	12,448	17,444
Amounts owed by joint venture (note 24)	3,300	3,300
	219,679	226,101
Amounts due after more than one year:		
Amounts due from Group undertakings	448,232	448,232

All amounts due from Group undertakings are repayable on demand and held at amortised cost. Interest is charged at an average rate of 7.625% (2021: 7.1%) on these balances.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

16. Deferred taxation

	30 July 2022 £'000	31 July 2021 £'000
Asset at the start of the period	16,657	14,216
Charge to profit and loss account	5,926	272
Deferred tax on pension scheme taken to Other Comprehensive Income	(61)	(280)
Adjustments in respect of prior periods	3,274	2,449
	<hr/>	<hr/>
Asset at the end of the period	25,796	16,657

	30 July 2022 £'000	31 July 2021 £'000
Capital allowances	25,796	16,612
Deferred tax arising in relation to retirement benefit obligations	-	45
	<hr/>	<hr/>
	25,796	16,657

The Company has an unrecognised deferred tax asset of £21,840,000 (2021: £14,333,000). This is made up of £21,662,000 (2021: £14,023,000) in relation to accelerated capital allowances, £133,000 (2021: £197,000) in relation to temporary timing differences and £45,000 (2021: £113,000) in relation to losses carried forward as at 30 July 2022. 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 31 July 2022, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £1,449,000 (2021: decrease of £2,598,000). This is primarily due to availability of capital allowances in excess of depreciation.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

17. Creditors: amounts falling due within one year

	30 July 2022 £'000	31 July 2021 £'000
Obligations under finance leases (note 20)	-	1,721
Trade creditors	72,725	79,837
Amounts owed to Group undertakings	1,057,593	951,543
Amounts owed to joint venture (note 24)	68,230	60,868
Other taxation and social security	6,581	8,597
Other creditors	317	317
Accruals	41,032	36,461
	1,246,478	1,139,344

All amounts owed to Group undertakings are repayable on demand and held at amortised cost. Interest is charged at an average rate of 7.625% (2021: 7.1%) on these balances.

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

	30 July 2022 £'000	31 July 2021 £'000
Amounts owed to Group undertakings ¹	1,843	1,843
Other creditors	438	755
	2,281	2,598

¹ Long term loans are interest free and unsecured. All amounts owed to Group undertakings are repayable on demand.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

19. Provisions for liabilities

	Onerous lease	Restructuring	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2021	1,253	1,008	-	2,261
Current period charge	959	(1,008)	1,400	1,351
Utilised in the period	(307)	-	-	(307)
At 30 July 2022	1,905	-	1,400	3,305

Provisions of £3,305,000 (2021: £2,261,000) comprise:

- £1,905,000 (2021: £1,253,000) in respect of onerous leases costs at the Haughley Park & Letham sites which were closed by the Company in the 2014 financial period. This amount includes £1,000,000 recorded in another group company which was transferred across to the company in the year.
- £nil (2021: £1,008,000) of exceptional provisions predominantly relating to site closures.
- £1,400,000 (2021: £nil) provision for utilities at the Llangefni site.

20. Obligations under finance leases

	30 July 2022 £'000	31 July 2021 £'000
Within one year or less or on demand	-	1,721
	-	1,721

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 30 July 2022

21. Called up share capital and reserves

	30 July 2022 £'000	31 July 2021 £'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 (2021: £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 £371,460,000 (2021: losses of £288,670,000) 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 30 July 2022

22. Financial commitments

Capital commitments

There were no capital commitments at 30 July 2022 (2021: £nil) provided for at the period end. There were £9,249,000 (2021: £2,211,000) 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:

	30 July 2022 £'000	31 July 2021 £'000
Land and building leases expiring:		
- Within one year	2,729	4,983
- Two to five years	10,701	17,031
- Greater than five years	9,870	10,452
	<u>23,300</u>	<u>32,466</u>
Other leases expiring:		
- Within one year	2,698	2,289
- Two to five years	3,825	3,170
- Greater than five years	691	1,221
	<u>7,214</u>	<u>6,680</u>

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

23. 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 £5,226,000 (2021: £5,186,000) represents contributions payable to these by the Company at rates specified in the rules of the plans. At 30 July 2022 contributions of £375,000 (2021: £478,000) 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 30 July 2022 by independent qualified actuaries. The principal assumptions used for the actuarial valuation of the scheme were as follows:

	30 July 2022 £'000	31 July 2021 £'000
Rate of increase to pensions in payment	3.2	3.1
Discount rate	3.3	1.6
Inflation assumption	3.2	3.2
Mortality	CMI_2021	CMI_2020

The Group has adopted the SAPS S3 Heavy tables with scaling factors appropriate for each section of the membership with the core CMI 2021 projections with a long-term rate of improvement of 1.25% (2021: 1.25%) per annum.

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

	30 July 2022 (years)	31 July 2021 (years)
Male aged 45 now	22.8	23.0
Female aged 45 now	25.4	25.6
Male aged 65	21.5	21.7
Female aged 65	24.0	24.1

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

23. Pension schemes (continued)

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

	30 July 2022 £'000	31 July 2021 £'000
Net interest cost	(3)	(21)
Charge to profit and loss account	(3)	(21)
Change in effect of asset ceiling	(782)	-
Actuarial gain	980	1,353
Recognised in other comprehensive income	198	1,353
Total cost relating to the defined benefit pension scheme	195	1,332

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

	30 July 2022 £'000	31 July 2021 £'000
Present value of obligations	(8,633)	(11,086)
Fair value of scheme assets	8,633	10,891
Net obligation / (net deficit) recognised in the balance sheet	-	(195)

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

23. Pension schemes (continued)

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

	30 July 2022 £'000	31 July 2021 £'000
Scheme liabilities at the start of the period	11,086	11,512
Interest cost	166	159
Actuarial gain	(2,359)	(261)
Effect of asset ceiling	782	-
Benefits paid	(1,042)	(324)
	<hr/>	<hr/>
Scheme liabilities at the period end	8,633	11,086

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

	30 July 2022 £'000	31 July 2021 £'000
Scheme assets at start of the period	10,891	9,985
Interest income	163	138
Actuarial (loss) / gain on scheme assets	(1,379)	1,092
Benefits paid	(1,042)	(324)
	<hr/>	<hr/>
Fair value of scheme assets at the period end	8,633	10,891

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

	30 July 2022 £'000	31 July 2021 £'000
Equities	2,707	3,409
Cash	63	169
Insurance policies	5,863	7,313
	<hr/>	<hr/>
Total fair value of assets	8,633	10,891

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

24. 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 30 July 2022 £'000	52 weeks ended 31 July 2021 £'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	3,116	3,674
Recharges	-	230
Outstanding creditor at the period end	217	662
Amber Foods Machinery Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	1,919	493
Outstanding creditor at the period end	33	24
Hook 2 Sisters Limited		
<i>Relationship: Group's 50% investment in the Company</i>		
Loans made to the related party	3,300	3,300
Purchases made by the Company	774,926	689,407
Outstanding creditor at the period end	68,230	60,868
Sales made to the related party	288	-
Outstanding debtors at the period end	94	-
Shazan Foods Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Sales made to the related party	6,014	11,147
Outstanding debtor at the period end	1,643	1,414
Purchases made by the Company	44,890	28,020
Outstanding creditor at the period end	2,233	2,276

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

24. Related party transactions (continued)

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Bernard Matthews Foods Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	5,665	3,367
Outstanding creditor at the period end	1,017	476
 Sales made to the related party	 12,829	 28,995
Outstanding debtor at the period end	1,209	3,449
 Lakeside Food Group Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	-	710
Outstanding creditor at the period end	-	-
 Sales made to the related party	 41	 65
Outstanding debtors at the period end	-	-
 Carluccio's (UK) Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Sales made to the related party	60	-
Outstanding debtor at the period end	3	-
 Bernard Matthews Foods (Sunderland) Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	379	-
Outstanding creditor at the period end	1,503	-
 Sales made to the related party	 9,284	 -
Outstanding debtors at the period end	2,725	-

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

24. Related party transactions (continued)

	52 weeks ended 30 July 2022 £'000	52 weeks ended 31 July 2021 £'000
Bernard Matthews Foods (Derby) Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	1,855	-
Outstanding creditor at the period end	3,785	-
 Sales made to the related party	 43,046	 -
Outstanding debtors at the period end	5,869	-
 Banham Poultry (2018) Limited		
<i>Relationship: Related by virtue of common ownership</i>		
Purchases made by the Company	12,597	-
Outstanding creditor at the period end	917	-
 Sales made to the related party	 482	 -
Outstanding debtors at the period end	172	-

25. Contingent liabilities

The Company and other Group subsidiary companies are guarantors in respect of the Senior Loan Notes due 2025, 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 Boparan Holdings Group's £80m plus £10m accordion super senior Revolving Credit Facility which is a facility of Boparan Holdings Limited.

The amount drawn down on this facility at the balance sheet date was £nil (2021: £25.0m). The total bond value as at 30 July 2022 per the Group financial statements was £512.5m net of fees (2021: £474.5m).

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.

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 Group. The Group regularly reviews all of these claims to determine any possible financial loss; as at 30 July 2022 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.

2 Sisters Food Group Limited

Notes to the financial statements For the 52 weeks ended 30 July 2022

26. 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 2022 Boparan Holdco Limited (registered office: Colmore Court, 9 Colmore Row, Birmingham, England, B3 2BJ) 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.

27. Post balance sheet events

On 31 March 2023, following a 45-day formal consultation period the Company announced that it would cease production at the Llangefni site.