

**Hook 2 Sisters Limited**

**Directors' report and financial  
statements**

Registered number 5969169

Year ended 31 July 2009

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## Directors' report

The directors present their report and audited financial statements for the year ended 31 July 2009

### Business review and principal activities

Hook 2 Sisters Limited ("H2S") continues to be principally engaged in the rearing and growing of broiler chickens. There have not been any significant changes in the company's principal activities during the year under review.

Post the acquisitions in 2008 of the broiler growing operations in the South West of England, and Letham in Scotland, H2S has taken steps to further integrate these operations into our core business during the year. Changes have been made in the administration, planning and growing processes so as to improve efficiency and achieve better results. Production volumes have increased across these regions, although the onset of the recession has altered the demand for the product offering with a reduction in requirement for Organic and Free Range birds.

The year has seen continued high commodity prices particularly on wheat and soya. Through its pricing mechanisms and management, the impact of the increases has been mitigated. The program of farm rebuilds and upgrades have continued to ensure a high standard farming base to meet future production needs.

Overall the business has achieved a profit on ordinary activities before taxation of £1,008,000. No dividend has been declared or paid.

The directors are of the opinion that despite continuing challenging trading conditions, in particular the risk of Avian Influenza and high feed and energy prices, the company is well positioned to maintain its strong trading performance into 2010.

### Financial risk management objectives and policies

The company operates within a framework of weekly financial and performance measures covering profitability, cash flow and poultry production together with monthly management accounts, which enable the Board to manage the internal and external drivers of the business, in a proactive, controlled and timely manner so as to minimise the financial and operational impacts and risks upon the company. The company also uses a non-financial measure in the form of staff numbers, which is measured on a weekly basis.

### Operational risk

The company faces a number of operational challenges and risks which are outside its day to day control, with the key identified risk being Avian Influenza. The company has structured its operations into regional groups to minimise the impact of Avian Influenza and has developed contingency plans should an outbreak occur. Although not fool proof, good bio-security is a key defence against this risk occurring on an H2S farm.

Much has been made in the media about the potential impact of swine flu. H2S have implemented a number of contingency plans to ensure the continuing ongoing functioning of the business in such circumstances.

### Price risk

The company has a significant level of expenditure which is linked to the price of products in the commodity markets (wheat, soya and gas). In order to minimise the impact of such movements, the Board assess the future prices on these commodity markets and take forward cover or fixed price contracts to mitigate, where possible, any significant changes in any given budget year. It also has sales pricing mechanisms linked to the price of these commodities that largely offsets the impact on its gross margin position.

### Credit risk

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of any allowance for doubtful debts estimated by the directors. The company has a strict credit vetting policy and where applicable operates credit insurance.

## **Directors' report** *(continued)*

### **Financial risk management objectives and policies** *(continued)*

#### **Liquidity risk**

In order to maintain liquidity and ensure sufficient funds are available for the daily trading of the business, the company uses a mix of long term and short term debt finance. It also prepares periodic cash flow reforecasts to monitor and predict its ongoing liquidity needs.

#### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

#### **Employment involvement**

H2S keeps employees informed of matters affecting them as employees through regular team meetings, briefings and announcements.

#### **Directors**

The directors who held office during the year were as follows:

JW Hook  
RS Boparan  
MR Wannell  
JS Silk

#### **Proposed dividend**

The directors do not propose the payment of a dividend.

#### **Disclosure of information to auditors**

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

#### **Auditors**

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

By order of the board

  
John Silk  
Director

14 OCTOBER 2009

Cote  
Bampton  
Oxfordshire  
OX18 2EG

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect



## KPMG LLP

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

### **Independent auditors' report to the members of Hook 2 Sisters Limited**

We have audited the financial statements of Hook 2 Sisters Limited for the year ended 31 July 2009 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

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

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditors' report to the members of Hook 2 Sisters Limited**  
(continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**IG Greaves**  
**Senior Statutory Auditor**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*2 Cornwall Street*  
*Birmingham*  
*B3 2DL*

15 OCTOBER 2009



**Profit and loss account**  
*for the year ended 31 July 2009*

	<i>Notes</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>276,659</b>	<b>209,558</b>
Cost of sales		<b>(239,162)</b>	<b>(178,552)</b>
<b>Gross profit</b>		<b>37,497</b>	<b>31,006</b>
Administrative expenses		<b>(37,015)</b>	<b>(30,663)</b>
Other operating income – insurance claim received	<b>7</b>	<b>715</b>	<b>1,847</b>
<b>Operating profit</b>		<b>1,197</b>	<b>2,190</b>
Interest payable and similar charges	<b>5</b>	<b>(189)</b>	<b>(289)</b>
Interest receivable and similar income	<b>6</b>	<b>-</b>	<b>90</b>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>1,008</b>	<b>1,991</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(316)</b>	<b>(568)</b>
<b>Profit on ordinary activities after taxation</b>	<b>17</b>	<b>692</b>	<b>1,423</b>

All of the above relates to continuing operations

There were no recognised gains and losses in either year other than the profit for the year

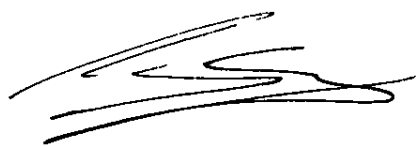
**Balance sheet**  
*at 31 July 2009*

	Note	2009 £000	2008 £000
<b>Fixed assets</b>			
Tangible assets	9	5,226	5,169
<b>Current assets</b>			
Stocks	10	11,731	13,432
Debtors	11	23,160	21,053
Cash at bank and in hand		46	-
		<u>34,937</u>	<u>34,485</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(32,415)</u>	<u>(31,897)</u>
<b>Net current assets</b>		<u>2,522</u>	<u>2,588</u>
<b>Total assets less current liabilities</b>		<u>7,748</u>	<u>7,757</u>
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(3,640)</u>	<u>(4,380)</u>
<b>Provisions for liabilities and charges</b>	14	<u>(286)</u>	<u>(247)</u>
<b>Net assets</b>		<u>3,822</u>	<u>3,130</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,000	1,000
Profit and loss account	17	2,822	2,130
<b>Shareholders' funds</b>	16	<u>3,822</u>	<u>3,130</u>

These financial statements were approved by the board of directors on 14 October 2009 and were signed on its behalf by



**Mark Wannell**  
Director



**Jon Silk**  
Director

*Registered number 5969169*

**Cash flow statement**  
*for the year ended 31 July 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Net cash inflow/(outflow) from operating activities	20	3,459	(4,501)
Returns on investments and servicing of finance	21	(189)	(199)
Taxation		(450)	(221)
Capital expenditure	21	(914)	(1,577)
Cash inflow/(outflow) before financing		1,906	(6,498)
Financing	21	(844)	(246)
Increase/(decrease) in cash in the period		1,062	(6,744)

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 31 July 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Increase/(decrease) in cash in the year		1,062	(6,744)
Cash outflow from decrease in lease financing		154	116
Cash outflow from repayment of debt		690	130
Movement in net debt in the year		1,906	(6,498)
Net (debt)/funds at the start of the year		(6,244)	254
Net debt at the end of the year	22	(4,338)	(6,244)

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The financial statements have been prepared on the going concern basis which assumes that the company will continue to trade. The company is dependent on the continued support of its two shareholders. They have confirmed that they will continue to support the company financially for at least 12 months from the date that these financial statements have been signed. As with any company placing reliance on others for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. On this basis, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not contain the adjustment that would arise if the financial statements were not drawn up on a going concern basis.

#### *Fixed assets and depreciation*

Depreciation is provided by equal instalments over their expected useful lives, as follows

Plant and machinery	-	15% reducing balance
Land and buildings	-	10% straight line
Motor vehicles	-	25% straight line

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Pensions*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *Stock*

Stocks are stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Turnover*

Turnover represents the invoiced value, net of value added tax, of goods sold to customers.

**Notes (continued)**

**2 Analysis of turnover**

	2009 £000	2008 £000
<i>By geographical market</i>		
United Kingdom	276,659	209,558

**3 Profit on ordinary activities before taxation**

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation of tangible fixed assets		
Owned assets	795	619
Leased assets	66	70
Operating lease costs		
Land and buildings	9,944	7,374
Vehicles	646	473
<i>Auditors' remuneration</i>		
Audit of these financial statements	24	23
Other services relating to tax	5	5

**4 Staff numbers and costs**

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

	Number of employees	
	2009	2008
Production staff	219	172
Distribution staff	49	64
Administrative staff	25	11
	293	247

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	8,306	7,363
Social security costs	685	579
Other pension costs	36	19
	9,027	7,961

The directors, all of whom are employees of either PD Hook (Group) Limited or 2 Sisters Food Group Limited, are remunerated through these companies

**Notes (continued)**

**5 Interest payable and similar charges**

	2009 £000	2008 £000
Interest on bank loans	188	276
Finance charges	1	13
	<u>189</u>	<u>289</u>

**6 Interest receivable and similar income**

	2009 £000	2008 £000
Bank interest receivable	-	90
	<u>-</u>	<u>90</u>

**7 Other operating income**

Other operating income in both periods relates to receipts from insurers in respect of damages sustained due to flooding in the prior period

**8 Taxation**

**Analysis of charge in period**

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Current tax on income for the year	276	444
Adjustments in respect of prior years	1	(24)
	<u>277</u>	<u>420</u>
<i>Deferred tax (see note 14)</i>		
Origination of timing differences	39	159
Effect of law changes	-	(12)
Adjustments in respect of prior years	-	1
	<u>39</u>	<u>148</u>
Tax on profit on ordinary activities	<u>316</u>	<u>568</u>

## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 28% (2008 28%) The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,008	1,991
Current tax at 28% (2008 29.3%)	282	584
<i>Effects of</i>		
Expenses not deductible for tax purposes	18	5
Capital allowances in excess of depreciation	(38)	(159)
Depreciation on ineligible	24	15
Other timing differences	(2)	(2)
Tax rate lower than standard rate percentage on taxable profits	(8)	-
	276	443
Adjustment to tax change in respect of previous periods	1	(24)
Total current tax charge (see above)	277	(419)

### 9 Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At beginning of year	629	6,871	74	7,574
Additions	228	719	5	952
Disposals	-	(47)	(14)	(61)
At end of year	857	7,543	65	8,465
<i>Depreciation</i>				
At beginning of year	93	2,280	32	2,405
Charge for the year	85	764	12	861
Disposals	-	(25)	(2)	(27)
At end of year	178	3,019	42	3,239
<i>Net book value</i>				
At 31 July 2009	679	4,524	23	5,226
At 31 July 2008	536	4,591	42	5,169

Included within the net book value of fixed assets at 31 July 2009 is £373,217 (2008 £397,545) relating to assets held under finance leases and hire purchase agreements The depreciation charged in the financial statements in the period in respect of such assets amounted to £66,078 (2008 £70,155)

**Notes (continued)**

**10 Stocks**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>2,754</b>	3,341
Work in progress	<b>8,977</b>	10,091
	<b>11,731</b>	13,432

**11 Debtors**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>2,416</b>	4,358
Amounts owed by related undertakings	<b>17,097</b>	10,748
Other debtors	<b>3,352</b>	5,494
Prepayments	<b>295</b>	453
	<b>23,160</b>	21,053

**12 Creditors: Amounts falling due within one year**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Bank loan (secured – see note 13)	<b>740</b>	690
Bank overdraft	<b>-</b>	1,016
Trade creditors	<b>25,331</b>	23,983
Amounts owed to related undertakings	<b>2,456</b>	3,967
Corporation tax	<b>272</b>	445
Other taxation and social security	<b>6</b>	217
Amounts due under finance leases and hire purchase agreements (secured – see note 13)	<b>4</b>	158
Accruals and deferred income	<b>3,606</b>	1,421
	<b>32,415</b>	31,897

**13 Creditors: Amounts falling due after more than one year**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Bank loan (secured)	<b>1,140</b>	1,880
Loans from related undertakings	<b>2,500</b>	2,500
	<b>3,640</b>	4,380



## Notes (continued)

### 13 Creditors: Amounts falling due after more than one year (continued)

The loans from related undertakings consist of two loans of £1,250,000 (2008 £1,250,000) each from PD Hook (Group) Limited and 2 Sisters Food Group Limited. These loans are due for repayment on 9 February 2012.

The bank loan is secured by fixed and floating charges over the assets of the company. The loan is due for repayment by 31 December 2011.

Amounts due under finance lease or hire purchase agreements are secured on the assets to which they relate.

#### Analysis of debt

	2009 £000	2008 £000
Debt can be analysed as falling due		
In one year or less	740	690
Between one and two years	760	740
Between two and five years	2,880	3,640
	<u>4,380</u>	<u>5,070</u>

### 14 Provisions for liabilities and charges

	Deferred taxation £000
Deferred tax liability at beginning of year	247
Charge to the profit and loss for the year (see note 8)	39
Deferred tax liability at end of year	<u>286</u>

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Difference between accumulated depreciation and capital allowances	286	249
Other timing differences	-	(2)
	<u>286</u>	<u>247</u>

### 15 Called up share capital

	2009 £000	2008 £000
<b>Authorised:</b>		
1,000,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
1,000,000 ordinary shares of £1 each	1,000	1,000

## Notes (continued)

### 16 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Opening shareholders' funds	3,130	1,707
Profit for the financial year	692	1,423
Closing shareholders' funds	<u>3,822</u>	<u>3,130</u>

### 17 Reserves

	2009 £000	2008 £000
At beginning of year	2,130	707
Retained profit for the year	692	1,423
At end of year	<u>2,822</u>	<u>2,130</u>

### 18 Commitments

At 31 July 2009, the company had capital commitments of £Nil (2008 £144,272) Annual commitments under non-cancellable operating leases are as follows

	2009		2008	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	2,316	107	-	201
In the second to fifth years inclusive	-	646	7,375	1,824
	<u>2,316</u>	<u>753</u>	<u>7,375</u>	<u>2,025</u>

### 19 Pension scheme

The company operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £36,344 (2008 £13,265) There were no outstanding or prepaid contributions at 31 July 2009 (2008 £Nil)

**Notes** *(continued)*

**20 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	2009 £000	2008 £000
Operating profit	1,197	2,190
Depreciation charge	861	688
Profit on disposal of fixed assets	(4)	(38)
Decrease/(increase) in stocks	1,701	(5,811)
Increase in debtors	(2,107)	(11,416)
Increase in creditors	1,811	9,886
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,459</b>	<b>(4,501)</b>

**21 Analysis of cash flows**

	2009 £000	2008 £000
<b>Returns on investments and servicing of finance</b>		
Interest paid (see note 5)	(189)	(289)
Interest received (see note 6)	-	90
	<b>(189)</b>	<b>(199)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(952)	(1,809)
Receipts from sale of tangible fixed assets	38	232
	<b>(914)</b>	<b>(1,577)</b>
<b>Financing</b>		
New borrowings	-	500
Repayment of bank loan	(690)	(630)
Capital element of finance lease rental payments	(154)	(116)
	<b>(844)</b>	<b>(246)</b>

## Notes (continued)

### 22 Analysis of net debt

	31 July 2008 £000	Cash flow £000	Non- Cash flow £000	31 July 2009 £000
Cash at bank and in hand	-	46	-	46
Bank overdraft	(1,016)	1,016	-	-
Loans due within one year	(690)	-	(50)	(740)
Loans due beyond one year	(4,380)	690	50	(3,640)
Finance leases and hire purchase agreements	(158)	154	-	(4)
Net debt	(6,244)	1,906	-	(4,338)

### 23 Related party transactions

During the year, Hook 2 Sisters Limited entered into the following transactions with related parties

		2009 Transactions in year £000	Outstanding as at 31 July 2009 £000	2008 Transactions in year £000	Outstanding as at 31 July 2008 £000
2 Sisters Food Group Limited	Broiler chicken sales	256,279	16,537	180,302	10,262
Lloyd Maunder Limited	Broiler chicken sales	18,347	-	27,789	3,293
PD Hook (Hatcheries) Limited	Day old chick purchases	38,462	(2,271)	29,969	1,418
PD Hook (Breeders) Limited	Farm recharges	97	13	-	-
PD Hook (Rearing) Limited	Farm recharges	11	7	-	-
PD Hook (Group) Limited	Provision of management services	728	(7)	391	181
RS and BK Boparan	Broiler farm rental	8,600	362	6,727	(168)

In addition, note 13 sets out the loans payable to related parties as at 31 July 2009

### 24 Ultimate parent company

The directors consider that PD Hook (Group) Limited and 2 Sisters Food Group Limited are the company's ultimate controlling parties by virtue of their each holding 50% of the issued share capital

The largest and smallest groups of undertakings for which group financial statements have been drawn up are those headed by PD Hook (Group) Limited and Boparan Holdings Limited respectively, both of which are registered in England and Wales. The group financial statements of both holding companies are publicly available at Companies House