

**Hook 2 Sisters Limited**

**Annual report and financial  
statements**

**Registered number 5969169**

**Year ended 31 July 2015**

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## Strategic report

### Principal activity

The principal activity of the Company is the rearing and growing of broiler chickens for use in the Retail and Food Service sectors. There have not been any significant changes in the company's principal activities during the year under review.

### Business review and future developments

*Overview* - The business has made good progress in 2015 and has performed well within the context of a continually challenging retail environment. We have experienced a sustained reduction in commodity and fuel prices which has helped to reduce our underlying cost base although some of this has been passed back to our customers through our pricing mechanisms.

Annual sales increased £235.1 million in the year from £378.0 million to £613.1 million. This was enhanced by the acquisition of assets that provided improved sale through a larger asset base.

Although the economic conditions appear to have improved it still remains fragile. Consumers continue to reshape their shopping habits with a greater increase of internet shopping and the use of convenience stores compared to larger store formats and consumers continue to monitor their weekly shopping basket to ensure they achieve value for money and reduce wastage levels.

The business has continued to focus on improving technical performance on our farms, reducing mortality rates and feed conversion ratios.

The business has responded well to these trends and despite a period of significant change and turbulence has achieved a sound performance with a rise in the profit before tax and exceptional charges (2015: £3,515,000 (2014: £Nil)) to £851,000 (2014: £744,000).

*Strategy* – Our objective is to be a major provider of quality grown chicken in the UK across all production types balancing the need for low cost production while maintaining the high standard expected by Retailers and consumers for British Chicken.

*Risk Management* - The Board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the Company's business. These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it. The Board has identified the following key areas of risk to the business:

- **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 a company operated farm.
- **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.
- **Key Employee's** – The Company operates in excess of 270 farms across the whole of the UK which are dependent upon the performance of employee's. The failure to recruit and retain the right people could have an adverse impact on the Company and its performance. The Company has therefore developed and continues to monitor its remuneration and incentive packages to assist in the attraction and retention of key employee's.
- **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.

## Strategic report (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.

**Corporate Social Responsibility (CSR)** – The Company recognises the importance of balancing the interests of key stakeholders – customers, employees, shareholders, suppliers and the wider community in which it operates. The Company remains committed to a continuous improvement in its processes to ensure its activities comply with environmental standards and legislation.

We have worked closely with the leading Retailers to ensure our business and that of our suppliers meet the required ethical standards in relation to the employment of labour. We have responded to changes in legislation during the year in respect of labour, working time and conditions to ensure these are built into our own and our contractors working approach through the development of revised policies, procedures and contracts.

**Health & Safety** – Health and Safety remains core to the Company's business and its employee's. We continued to build on the foundations of best working practice and continuous improvement as outlined in our H&S Policy. We remained dedicated to implementing a culture where every employee understands the value of H&S on site and accepts responsibility for their own and others safety. This is implemented through a platform of Senior H&S meetings and risk assessments.

### Key Trading Event

On 4 August 2014, Hook2Sisters limited acquired the former chicken growing agricultural assets of Vion Limited from 2Agriculture Limited. This included the TUPE transfer of 470 staff together and the purchase of £20.8 million of stock financed through an increase in the business's overdraft facility, its working capital position and an investor injection of £2 million. In addition the business entered into a number of farm business tenancies to provide the farming assets from which to operate the trading business. Significant steps have been taken during the year to integrate the acquired business and to reshape it to ensure an efficient production base. This has resulted in some farm closures and redundancy costs leading to an exceptional charge in the accounts of £3.52 million. These are none reoccurring one off costs that will bring future benefits to the business.

### Key Performance Indicators

The company operates within a framework of weekly financial and performance measures covering profitability, cash flow and poultry production statistics 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 and accident reporting, which is measured on a weekly basis.

### Outlook

Despite a tough retail trading environment and fragile economic conditions the outlook feels positive with falling commodity costs providing an opportunity for lower unit prices that will help stimulate the purchase of chicken as an attractive, versatile and valued product. As such the directors are of the opinion that our business model is robust enough to see us through the next stage of our development. Although the coming year is likely to prove equally challenging as the last we feel the combined efforts of our outstanding staff, our quality supply chain and the resourcefulness of our valued customers will enable us to succeed.

By order of the Board



**MR Wannell**  
Director

Cote  
Bampton  
Oxfordshire  
OX18 2EG  
27 January 2016

## Directors' report

The directors present their report and audited financial statements for the year ended 31 July 2015.

### Results

For the year ended 31 July 2015, the Company reported a profit on ordinary activities excluding exceptional charges and before taxation of £851,000 (2014: £744,000) on turnover of £613,100,000 (2014: £377,975,000)

### Dividends

No dividend has been declared or paid in the year (2014 - £Nil).

### 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  
CA Tomkinson (resigned 1 November 2015)  
S Cunningham (appointed 1 November 2015)

### 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

  
RS Boparan  
Director

Cote  
Bampton  
Oxfordshire  
OX18 2EG  
27 January 2016

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

The directors are responsible for preparing the Strategic report, 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 fraud and other irregularities.



## KPMG LLP

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

### **Independent auditor's 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 2015 set out on pages 7 to 19. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2015 and of its loss 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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's 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.



**Xavier Timmermans** (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

27 January 2016



**Profit and loss account**  
*for the year ended 31 July 2015*

	Notes	2015 £000	2014 £000
<b>Turnover</b>	2	<b>613,100</b>	377,975
Cost of sales		<b>(518,303)</b>	(325,579)
<b>Gross profit</b>		<b>94,797</b>	52,396
Administrative expenses ( <i>including exceptional charges of £3,515,000 (2014: £Nil)</i> )	3, 7	<b>(97,392)</b>	(51,638)
<b>Operating (loss)/ profit</b>		<b>(2,595)</b>	758
Loss on disposal of fixed assets		<b>(50)</b>	-
Interest payable and similar charges	5	<b>(19)</b>	(14)
<b>(Loss)/ profit on ordinary activities before taxation</b>	3	<b>(2,664)</b>	744
Tax on (loss)/ profit on ordinary activities	6	<b>338</b>	(164)
<b>(Loss)/ profit on ordinary activities after taxation</b>	16	<b>(2,326)</b>	580

The notes on pages 10 to 19 form part of these financial statements.

All of the above relates to continuing operations.

There were no recognised gains and losses in either year other than the (loss)/ profit for the year.

There is no material difference between the retained profit for the period and the historical cost equivalent in either year.

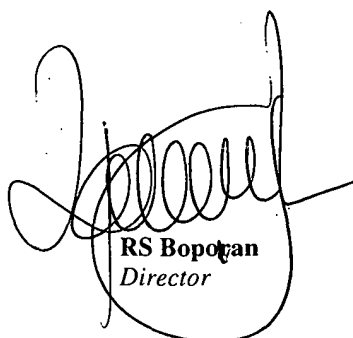
**Balance sheet**  
*at 31 July 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>£000</b>	<b>2014</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		5,804		5,654
<b>Current assets</b>					
Stocks	9	24,666		18,503	
Debtors	10	68,548		38,881	
Cash at bank and in hand				230	
		<u>93,214</u>		<u>57,614</u>	
<b>Creditors: Amounts falling due within one year</b>	11	<u>(91,845)</u>		<u>(54,399)</u>	
<b>Net current assets</b>			<u>1,369</u>		<u>3,215</u>
<b>Total assets less current liabilities</b>			<u>7,173</u>		<u>8,869</u>
<b>Creditors: Amounts falling due after more than one year</b>	12		<u>(2,509)</u>		<u>(2,509)</u>
<b>Provisions for liabilities and charges</b>	13		<u>(906)</u>		<u>(276)</u>
<b>Net assets</b>			<u><u>3,758</u></u>		<u><u>6,084</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		1,000		1,000
Profit and loss account	15		2,758		5,084
<b>Shareholders' funds</b>	16		<u><u>3,758</u></u>		<u><u>6,084</u></u>

These financial statements were approved by the board of directors on 27 January 2016 and were signed on its behalf by:



**MR Wannell**  
*Director*



**RS Bopayan**  
*Director*

Company number: 5969169

**Cash flow statement**  
*for the year ended 31 July 2015*

	<i>Note</i>	<b>2015 £000</b>	<b>2014 £000</b>
Net cash (outflow)/ inflow from operating activities	19	(3,407)	727
Returns on investments and servicing of finance	20	(19)	(14)
Taxation		(307)	(4)
Capital expenditure	20	(1,305)	(856)
Acquisitions	20	-	-
Cash outflow before financing		(5,038)	(147)
Financing	20	(3)	(4)
Decrease in cash in the period		(5,041)	(151)

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 31 July 2015*

	<i>Note</i>	<b>2015 £000</b>	<b>2014 £000</b>
Decrease in cash in the year		(5,041)	(151)
Cash outflow from repayment of debt	20, 21	3	4
Movement in net debt in the year		(5,038)	(147)
Net debt at the start of the year		(2,285)	(2,138)
Net debt at the end of the year	21	(7,323)	(2,285)

## 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.

### 2 Analysis of turnover

	2015 £000	2014 £000
<i>By geographical market</i>		
United Kingdom	613,100	377,975

## Notes (continued)

### 3 Notes to the profit and loss account

	2015 £000	2014 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Loss on sale of fixed assets	50	-
Depreciation of tangible fixed assets:		
Owned assets	1,048	990
Leased assets	7	4
Operating lease costs:		
Land and buildings	2,991	16,754
Vehicles	1,300	1,575
	<hr/>	<hr/>
<i>Auditor's remuneration</i>		
Audit of these financial statements	38	25
Other services relating to tax	9	6
	<hr/>	<hr/>

### 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 2015	2014
Production staff	435	250
Distribution staff	199	85
Administrative staff	71	29
	<hr/>	<hr/>
	705	364
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	22,513	10,782
Social security costs	1,963	953
Other pension costs	530	59
	<hr/>	<hr/>
	25,006	11,794
	<hr/>	<hr/>

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

### 5 Interest payable and similar charges

	2015 £000	2014 £000
Interest on bank loans	19	14
	<hr/>	<hr/>

## Notes (continued)

### 6 Taxation

#### Analysis of charge in period

	2015 £000	£000	2014 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	1		172	
Adjustments in respect of prior years	2		(9)	
Total current tax		3		163
<i>Deferred tax (see note 13)</i>				
Origination of timing differences	(364)		2	
Adjustments in respect of prior years	23		(1)	
Total deferred tax		(341)		1
Tax on (loss)/ profit on ordinary activities		(338)		164

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

The current tax charge for the period is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.67% (2014: 22.33%). The differences are explained below:

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
(Loss)/ profit on ordinary activities before taxation	(2,664)	744
Current tax at 20.67% (2014: 22.33%)	(551)	166
<i>Effects of:</i>		
Expenses not deductible for tax purposes	136	13
Capital allowances in excess of depreciation	98	(3)
Unrelieved tax losses	312	-
Other timing differences	6	-
Tax rate higher than standard rate percentage on taxable profits	-	(4)
	1	172
Adjustment to tax change in respect of previous periods	2	(9)
Total current tax charge (see above)	3	163

#### Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 July 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

## Notes (continued)

### 7 Acquisitions

On 4 August 2014, the company acquired all of the shares of 2 Agricultural Limited. This transaction has been accounted for as an acquisition under the acquisition method of accounting. There was no goodwill created on acquisition as the fair value amounts of assets acquired was paid.

The table below states the book and fair values of the identifiable assets and liabilities acquired.

	Book Value £000	Fair Value Adjustments £000	Fair Value £000
<b>Current Assets</b>			
Stocks	20,775	(22)	20,753
<b>Total assets</b>	20,775	(22)	20,753
<b>Current Assets</b>			
Debtors	59	-	59
<b>Total assets</b>	59	-	59

<b>Purchase consideration and expenses</b>	<b>20,812</b>
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The purchase consideration and expenses was satisfied as follows:

	<b>£000</b>
Cash paid*	20,812
	<b>20,812</b>

\* Included in amounts paid relates to amount paid to Amber Real Estate Investments Limited of £20,812,000.

During the year, the company incurred exception costs of £3,515,000 relating to reorganisation and restructuring costs and these are included in administration expenses.

Notes (continued)

**8 Tangible fixed assets**

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	1,651	11,474	176	13,301
Additions	413	774	79	1,266
Disposals	(35)	(62)	-	(97)
At end of year	2,029	12,186	255	14,470
<b>Depreciation</b>				
At beginning of year	782	6,732	133	7,647
Charge for the year	162	867	26	1,055
Disposals	(11)	(25)	-	(36)
At end of year	933	7,574	159	8,666
<b>Net book value</b>				
At 31 July 2015	1,096	4,612	96	5,804
At 31 July 2014	869	4,742	43	5,654

Included in the total net book value of motor vehicles is £28,400 (2014: £21,300) in respect of assets held under finance leases. Depreciation of the year on these assets was £7,100 (2014: £3,550).

**9 Stocks**

	2015 £000	2014 £000
Raw materials and consumables	6,036	3,907
Work in progress	18,630	14,596
	24,666	18,503

**10 Debtors**

	2015 £000	2014 £000
Trade debtors	3,515	1,351
Amounts owed by related undertakings	54,101	31,804
Other debtors	9,770	5,326
Deferred tax assets (see note 13)	308	-
Prepayments	854	400
	68,548	38,881



## Notes (continued)

### 11 Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Bank loans and overdrafts	4,811	-
Obligations due under finance leases and hire purchase agreements	3	6
Trade creditors	39,806	45,529
Amounts owed to related undertakings	39,972	3,776
Corporation tax	-	304
Other taxation and social security	581	47
Accruals and deferred income	6,672	4,737
	<u>91,845</u>	<u>54,399</u>

### 12 Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Loans from related undertakings	2,500	2,500
Amounts due under finance leases and hire purchase agreements	9	9
	<u>2,509</u>	<u>2,509</u>

The loans from related undertakings consist of two loans of £1,250,000 (2014: £1,250,000) each from PD Hook (Group) Limited and 2 Sisters Food Group Limited. These loans are due for repayment on the 9 February 2017 unless the working capital and cash position within Hook 2 Sisters enables repayment prior to this date within Hook 2 Sisters' banking facilities.

#### Analysis of debt

	2015 £000	2014 £000
Debt can be analysed as falling due:		
In one year or less	-	-
Between one and two years	2,500	2,500
	<u>2,500</u>	<u>2,500</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2015 £000	2014 £000
Within one year	3	6
In the second to fifth years	9	9
	<u>12</u>	<u>15</u>

## Notes (continued)

### 13 Provisions for liabilities and charges

	Deferred taxation £000	Onerous lease provision £000	Total £000
At beginning of year	276	-	276
(Credit)/ charge to the profit and loss for the year	(33)	663	630
At end of year	243	663	906

The onerous lease provisions relates to leases acquired on acquisition of 2Agriculture Limited, this relates to the full lease costs of farm we do not anticipate to trade in.

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and amortisation and capital allowances	243	276
Other timing differences	(6)	-
Tax Losses	(302)	-
	(65)	276
Deferred tax asset (see note 10)	(308)	-
Deferred tax liability	243	276
	(65)	276

### 14 Called up share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000

### 15 Reserves

	Profit and loss account £000
At beginning of year	5,084
Loss for the financial year	(2,326)
At end of year	2,758

## Notes (continued)

### 16 Reconciliation of movements in shareholders' funds

	2015 £000	2014 £000
Opening shareholders' funds	6,084	5,504
(Loss)/ profit for the financial year	(2,326)	580
<b>Closing shareholders' funds</b>	<b>3,758</b>	<b>6,084</b>

### 17 Commitments

At 31 July 2015, the company had capital commitments of £283,175 (2014: £303,084). Annual commitments under non-cancellable operating leases are as follows:

	2015 Land and buildings £000	Other £000	2014 Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	681	351	1,764	63
In the second to fifth years inclusive	23,922	2,009	14,122	1,109
	<b>24,603</b>	<b>2,360</b>	<b>15,886</b>	<b>1,172</b>

### 18 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 £530,000 (2014: £59,000). There were £71,000 outstanding contributions at 31 July 2015 (2014: £2,000).

### 19 Reconciliation of operating (loss)/ profit to net cash inflow from operating activities

	2015 £000	2014 £000
Operating (loss)/ profit	(2,595)	758
Depreciation charge	1,055	994
Loss on disposal of fixed assets	50	-
Decrease in stocks	14,590	1,971
(Increase)/decrease in debtors	(29,300)	3,458
Increase/(decrease) in creditors	12,130	(6,454)
Increase in provisions	663	-
<b>Net cash inflow from operating activities</b>	<b>(3,407)</b>	<b>727</b>

## Notes (continued)

### 20 Analysis of cash flows

	2015 £000	2014 £000
<b>Returns on investments and servicing of finance</b>		
Interest paid (see note 5)	(19)	(14)
	<u>2</u>	<u></u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,266)	(861)
Receipts from sale of tangible fixed assets	(39)	5
	<u>(1,305)</u>	<u>(856)</u>
<b>Financing</b>		
Repayment of capital element of finance lease	(3)	(4)
	<u></u>	<u></u>
<b>Acquisitions</b>		
Consideration paid on acquisition (see note 7)	(20,812)	-
Consideration unpaid with related party undertakings (see note 22)	20,812	-
	<u>-</u>	<u>-</u>

### 21 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non- cash flow £000	At end of year £000
Cash at bank and in hand	230	(230)	-	-
Bank overdraft	-	(4,811)	-	(4,811)
Loans due beyond one year	(2500)	-	-	(2,500)
Finance leases and hire purchase agreements	(15)	3	-	(12)
	<u>(2,285)</u>	<u>(5,038)</u>	<u>-</u>	<u>(7,323)</u>
Net debt				

## Notes (continued)

### 22 Related party transactions

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

		2015 Transactions in year £000	Outstanding as at 31 July 2015 £000	2014 Transactions in year £000	Outstanding as at 31 July 2014 £000
<b>Sales</b>					
PD Hook (Breeders) Ltd					
PD Hook (Breeders) Ltd	Farm recharges	13	9	2	-
PD Hook (Group) Ltd	Telephone recharges	-	-	-	-
PD Hook (Hatcheries) Ltd	Farm recharges	104	-	105	-
PD Hook (Rearing) Ltd	Farm recharges	27	3	-	-
Amber Real Estate Investments Ltd	Broiler farm recharges	190	283	44	42
2 Sisters Food Group Ltd	Broiler chicken sales	329,206	32,221	354,357	31,344
2 Agriculture Limited	Broiler chicken sales	4,101	3,629	2,958	-
2 Sisters Poultry Limited	Broiler chicken sales	250,091	15,999	10,851	151
Letham Poultry T/A 1Stop Halal Ltd	Broiler chicken sales	27,706	1,519	-	-
<b>Purchases</b>					
PD Hook (Group) Ltd	Provision of management services	1,249	117	911	252
PD Hook (Hatcheries) Ltd	Day old chick purchases	98,656	7,862	57,775	3,044
PD Hook (Breeders) Ltd	Farm recharges	16	-	20	-
PD Hook (Rearing) Ltd	Sundry	4	-	9	-
Amber Real Estate Investments Ltd	Broiler farm rental	24,229	(17)	13,691	(75)
2 Sisters Food Group Ltd	Sundry	305	19	1,060	22
2 Agriculture Limited	Broiler chicken sales/feed	146,002	29,552	1,908	532
Amber Foods Ltd	Waste services	239	2	-	-

In addition, note 12 sets out the loans payable to related parties as at 31 July 2015.

### 23 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.