

" REGISTRAR "

Company Registration No. 10954531 (England and Wales)

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021



AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMPANY INFORMATION

Directors	Mr I J Faccenda Mr R M Faccenda Mr B Faccenda Mr S J Marlor Mr H Kabat Mr K Zimmermann
Company number	10954531
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AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2021

The directors present the strategic report for the year ended 31 May 2021.

BUSINESS MODEL AND STRATEGY

Avara Foods is one of the largest producers of fresh protein in the UK supplying 4.5m chickens a week into the UK retail, hospitality and food service sectors while also being one of two all year-round turkey businesses and a key part of the UK's Christmas turkey production. Avara manages an end-to-end supply chain which encompasses farming, milling, hatcheries, 8 major processing sites as well as significant transport and logistics operations, employing c.7300 people across the country.

Avara represents over 20% of UK poultry production and the food produced by us and our direct competitors represent more than 50% of all fresh meat sold by UK supermarkets and appear in 95% of shopping baskets.

We aim to be our customers' first choice for poultry products building enduring, collaborative partnerships and providing them with high quality, responsibly produced, affordable food. Delivering high levels of supply chain assurance, investment in industry leading, fit-for-the-future operations and a relentless focus on projects that support our customers, we offer all our partners compelling & competitive reasons to support our growth.

By investing in new capacity & innovative technology, developing our talent & skills and opening new sales channels, we will operate more efficiently and continue to grow. This is supported by our solid foundations: a strong balance sheet and the financial stability to plan for the long term.

Our purpose is to be a company you want to work with and for, with a strong culture of values, ethics and community. We will differentiate ourselves in how we work. Being responsible means looking after the health, welfare and safety - not just of our own people - but also of the consumers who buy our products, the animals in our care and the communities in which we are based. We work with integrity, accepting no less than the highest standards in all that we do. We are proud to be a diverse, inclusive company where people are free to be themselves, are safe, respected and fairly treated and can develop and grow their careers with us.

PRINCIPAL RISKS & UNCERTAINTIES

• COVID-19

Unfortunately, the COVID 19 pandemic & further lockdowns continued to impact operations for the full financial year. Our facilities operated throughout the pandemic with the support of our colleagues who embraced new ways of working and took responsibility for their own and others safety. We would like to thank all our colleagues for their contribution & enduring hard work in the most difficult of circumstances.

- An ongoing review of all relevant official guidance ensured our COVID-19 response and policies remained aligned with stakeholder and regulatory expectations. Open lines of communication were established with government officials, Public Health England and other key stakeholders, such as The Food Standards Agency and Health and Safety Executive.
- Our daily proactive approach to track, trace & isolate adopted alongside supportive arrangements for paid absence allowed us to act on a precautionary basis and break any potential transmission chains early.
- Best-in-class protections and precautions put in place during the 2020 lockdown remained in place throughout the year to protect and reassure our colleagues.
- As restrictions began to lift, we recognised the associated likelihood of greater exposure in our daily lives and with this, the increased risk of bringing infection into work. Employees were kept informed through regular multi-lingual communications to ensure everyone remained vigilant and focussed on at-work COVID protocols.
- Importantly we continued to fully service our customers and keep supermarket shelves stocked, minimising any impact on supply from internal or external COVID restrictions.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

• BREXIT

During the trading period, the UK left the EU with a Trade Deal and from 1st January 2021 we have continued to export our products to the EU as a 3rd country.

- Extensive preparation mitigated many potential risks but still involved a significant investment in resources during Q1 2021 to manage the transition.
- A new export process has ensured continued delivery of fresh products to customers in the EU in a timely manner but does involve significant additional administrative burden and cost.
- Our Brexit Risk team continue to monitor the position, escalate issues, and work with the British Poultry Council (BPC) and Defra to explore ways to optimise and simplify new EU Export processes.

• People and Skills

Avara's production processes rely heavily on skilled employees. Operating below complement reduces the volume and range of products produced, impacting availability and choice to consumers, undermining the financial sustainability of our business model.

- Insufficient operational resources & skills could limit growth expectations or restrict key processes
- COVID lockdowns & travel restrictions, compounded by access to post Brexit EU Settled & Frontier status for existing employees, could impact the availability of seasonal labour.
- Geographical variations could result in greater challenges in UK rural areas due to lower levels of unemployment and competition with seasonal demand for agricultural labour
- Inflationary pay measures might be only partially effective to attract and retain key skills
- Failure to retain the necessary operational employee complement required could constrain value added activity leading to trading of excess material at weakened market pricing.

• Management Wellbeing

Sustained change can impact individual and organisational resilience. Strategic & transformation programmes sometimes compete for the same management resources, as we have experienced with COVID-19 and then Brexit. We recognise the considerable dedication of our full management team to the success of the business over the last year in overcoming these obstacles.

- We have undertaken Resilience programmes with all senior management to support their personal & collective wellbeing and emphasise the Company's commitment to good mental & physical health.
- We have reviewed, rephased & paused aspects of our business plans to prioritise opportunities and balance operational demands & management bandwidth

Other significant risks and uncertainties faced by the company are consistent with the rest of the food production sector:

• Commodity Prices

With ever-increasing global demand for commodities and unsettled economic conditions, we can expect market volatility to be an ongoing feature of commodity markets. We continue to carefully monitor feed prices and work closely with customers to reduce the impact of volatile market movements.

• Food Safety

Food safety is a high priority. Risks are mitigated by ensuring raw materials are traceable to source and that manufacturing, storage and distribution systems are continually monitored by experienced and highly qualified technical teams.

- We make sure that our employees receive appropriate food safety training and support to enable them to meet our demanding standards.
- We work only with assured, reputable suppliers for all our raw materials and services.
- Our manufacturing operations and processes are monitored closely against exacting specifications and are also independently assessed for compliance with leading global food safety standards.

These systems will ensure our continued reputation for producing to the highest standards.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

- **Animal Health**

Reportable disease such as avian influenza remains a potential risk to ongoing operations and Avara Foods operates bio-security measures to mitigate this risk. The company works alongside farming partners close to our processing operations but spread over wide geographical areas within the UK to ensure disease risks can be controlled and isolated.

- Continental Europe saw multiple outbreaks of AI during the winter of 2020 and the UK was under restrictions related to Avian influenza for six months. Although we implemented our AI Contingency Plan, two cases directly affected our supply chain. These cases were carefully managed, and the infection successfully contained.

- **Consumer Preferences & Demand**

The food industry in general is subject to changing trends in dietary tastes and preferences, which may shift with changes in lifestyle or perception of quality, safety and ethics. We work in partnership with our major customers and invest in consumer insights, innovation, and new product development to ensure these preferences and trends are considered.

- There are now more plant-based products and meat replacers on supermarket shelves, encouraged by a greater consumer awareness of animal welfare and the carbon footprint for meat. The potential impact of this trend has been considered when shaping our business strategy.

- **Insurances and Risk Management**

The Group faces the risk of incidents such as major fire, which may result in significant and prolonged disruption to its operating facilities. We engage with our insurers and professional advisors to continually review our manufacturing and agricultural facilities, ensuring risks are mitigated and well managed at all times. Business recovery planning and appropriate insurance cover are in place to minimise the financial risk from any loss.

RESPONSIBLE BUSINESS

We recognise the need to carefully manage our impact on the world around us, continue to drive improvements in bird welfare and ensure healthy, nutritious protein is available to all sections of society. At the heart of our approach is a commitment to balance, understanding that these objectives can be complementary, but sometimes conflict. Acting responsibly means that we do not focus on single issues but aim to forge a path that consistently delivers progress in all three critical areas.

More details of our commitments and progress can be found in our **Responsible Business Report 2020** from our website (avarafoods.co.uk/what-we-stand-for).

Key progress over the last 12 months has included:

- Continuous, safe operation throughout the coronavirus pandemic
- A comprehensive carbon footprinting exercise (covering Scopes 1, 2 and 3) in readiness for a commitment to science-based targets
- People-centric improvements including extending our apprenticeship programme, reducing the gender pay gap and reviewing the inclusive nature of our resourcing strategies
- Redoubled support for FareShare including a 59% increase in our regular weekly donation
- Broader efforts to minimise our environmental impact with reduced plastics use, water efficiency & waste management
- Action to support our data-driven approach to bird welfare, including a robust assessment of different programmes to assess their impact on the environment, bird welfare and affordability

- **Responsible Farming**

We are committed to protecting the health and wellbeing of the animals in our care and to continually challenging & improving our existing high standards:

- All our farms meet Red Tractor Assurance standards and are subject to regular audits.
- Birds are raised in environments tailored to the specific needs of each species.
- Through vaccinations and probiotics, we provide the best start. If the need arises, we will protect bird health and welfare only using antibiotics when it is advised by a veterinary professional and only when all other options have been considered.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

- Key welfare indicators are monitored and deliver continual improvement.
- We are investing in our facilities to ensure we can continue to raise standards year on year.
- We are committed to identifying the best pathways to continually improve animal welfare through our own research with a science based, data-driven approach utilising industry metrics and being focussed on outcomes.
- We are undergoing a full breed & stocking density evaluation which will include the European Chicken Commitment. This aims to better understand how best to deliver target welfare outcomes alongside good environmental stewardship while protecting supplies of healthy, affordable food to all in society.

We firmly believe that the single most important factor in providing high standards of welfare is people. We employ, and work with, professional, experienced farm teams and provide them with the training and support they need to look after their birds. This support includes technical advice and standards, regular internal and external audits, support from their management team and qualified veterinary advisors.

• Health & Safety Management

Good Health and Safety is at the heart of what we stand for. Nothing we do is so important we cannot take time to do it safely. At Avara Foods we believe that protecting the health and safety of everyone who works with us is fundamental to our success.

- Throughout the year we retained and improved all measures introduced to create a COVID-Secure workplace. Avara 'Test, Track and Act' ensured that anyone at risk was identified early and asked to self-isolate. Our internal policies ensured that Health & Safety was at the forefront of actions taken.
- We maintained socially distanced working environments to enable ongoing safe operations and to maintain food supplies. We deployed a range of communication channels to ensure everyone understood what was required of them as regional & national measures were changing.
- We create and maintain a culture where health and safety are a priority and empower everyone to contribute and lead by example.
- Anyone performing a task in our business has the training necessary to perform it safely.
- We design, maintain, and operate safe places of work, with appropriate control measures and safety equipment.
- We set high standards against which to monitor, measure and analyse our health & safety performance

• People

Our success is dependent on talented and motivated people working together at all levels across our facilities. Our core purpose is "a company you want to work with and for" - so everyone matters whatever their role or background.

- We are committed to ongoing training, apprenticeships, professional management qualifications and internal career development to continue to attract and retain skilled people. We have continued to recruit onto our apprentice, degree apprentice, placement and graduate programmes and currently have 141 apprentices, 5 degree apprentices, 7 placements and 24 people in graduate programmes.
- A fair system of work with terms, conditions and facilities to match is the cornerstone of how we operate. This includes entry rates of pay above the national living wage irrelevant of age and no long-term agency or zero hours contracts. This approach extended to COVID, paying 80% to those recommended to shield by the government at our own cost and changing our sick pay provision to ensure people with potential symptoms could isolate responsibly. Our approach was widely praised by our trade union partners.
- An inclusive culture is where everyone is welcome, free to be themselves and can make a meaningful contribution to our success with opportunities for development. Our inclusion and diversity governance team work on a range of initiatives so Avara can be representative of all parts of our local and national communities.
- We offer a range of ways for all colleagues to share their views: employee briefings, forums and online portals, opinion surveys and where necessary grievance and whistleblowing processes.
- Talent programmes and succession planning are key to the retention and development of our management team and regular reviews take place supported by an inhouse resourcing and talent team.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

• Modern Slavery

Human trafficking and slavery have no place in the modern world. We have an extensive supply chain and recognise the risk presented by human trafficking and slavery. Protecting our people from the threat of modern slavery is well embedded within our business and we have established clear expectations for our supply chain practices in our Supplier Code of Conduct.

- We comply with or exceed all legal requirements surrounding employee rights, health and safety ethical responsibilities and human trafficking.
- Permanent employment is better for colleagues and limits the risk of human trafficking or modern slavery within our business. Where we use agency staff to fill short-term employment needs, we only use long term partners that operate to our own high standards.
- We have established a transparent and open process to support our colleagues in raising concerns through a whistleblowing hotline run by an independent third party.
- We adhere to the principles of the Ethical Trading Initiative Base Code along with specific requirements set by our customers' ethical standards. We ensure our suppliers understand our policies and expectations in respect of human trafficking and slavery.
- We are a member of SEDEX, which promotes improvements in ethical and responsible practice and we make information about our businesses and facilities available to customers through this widely recognised system.
- We are an integral part of FNET; a network of food retailers and suppliers committed to working together to improve standards.
- We ensure these standards improve year on year by internal governance through a cross functional team

• Our Planet

Avara Foods is committed to conducting its business activities in a manner that is environmentally responsible and sustainable. As a business with an extensive and far-reaching supply chain, our environmental impact has the potential to be significant. Modern poultry production is one of the most sustainable sources of meat and our aim is to keep our environmental footprint to a minimum.

• Energy and Carbon

Climate change is the most important environmental crisis the world is facing today. We now understand our emissions impact from farm to fork and are determined to play our part in contributing on the path to Net Zero. To help achieve this we have committed to Science Based Targets (SBT) in line with efforts to limit warming to 1.5°C, under the Paris Agreement, for our Scope 1&2 emissions and a well below 2.0°C target for our Scope 3 emissions.

Our Roadmap:

- **Reduce:** we aim to produce more with less through improving efficiencies in how we operate from energy, waste, water, and plastic to processing. Our BSI certified ISO50001 energy management system now covers over 30% of energy use, with plans to continue this further.
- **Replace:** we are replacing non-sustainable resources with lower GHG emission goods and services. 75% of Avara farms have a renewable energy source on site and our largest feed mill has reduced its direct GHG footprint since 2015 by 92% due to its onsite biomass burner. All our electricity purchased is blue nuclear energy that has a lower greenhouse gas (GHG) impact and in January 2021 we implemented a hybrid (PHEV) or electric only company car policy.
- **Recycle:** we are investigating circular economies to reduce our GHG footprint. To date we have 3 litter burners providing heat to warm sheds for five Avara farms

Our sustainability goals are ambitious, and we recognise that to meet long term targets we will need to work collaboratively with our supply chain partners and stakeholders. This year we have formed sustainability governance group to engage with Farming Partners to collectively reduce a major part of our products' footprint.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

Streamlined Energy & Carbon Reporting (SECR)

In compliance with SECR requirements, we have followed the 2019 HM Government Environmental Reporting Guidelines using the GHG Protocol Corporate Standard for emissions calculations for all sites falling under our operational control.

Emissions are based on invoiced energy consumption, fleet annual fuel or mileage reports and site F-Gas records, then calculated using the 2020 and 2021 UK Government's Conversion Factors for Company Reporting. All emissions have been verified to ISO 14064-3:2019 standard by an independent third party.

Emissions scope	FY 20-21	FY 19-20	%reduction
Electricity MWh	135,401	140,187	3%
Gas MWh	78,104	80,580	3%
Transport MWh	83,113	88,304	6%
Other Scope 1 MWh	135,055	173,218	22%
Total MWh	431,673	482,289	10%
Scope 2 LB (location-based) tCO ₂ e	30,439	34,551	12%
Scope 2 MB (market-based) tCO ₂ e	18	22	18%
Scope 1 Gas tCO ₂ e	14,337	14,815	3%
Scope 1 Transport tCO ₂ e	19,925	21,312	7%
Scope 1 Refrigerant tCO ₂ e	8,852	6,159	-44%
Other Scope 1 tCO ₂ e	19,223	22,968	16%
Total Scope 1 & 2 LB	92,776	99,805	7%
Total Scope 1 & 2 MB	62,355	65,275	4%
Scope 3 Transport tCO ₂ e	107	292	64%
Total SECR LB Emissions tCO₂e	92,883	100,097	7%
tCO₂e per Tonne sold product	0.296	0.319	7%

Scope 1 transport includes Diesel and Gas Oil consumption by owned HGV fleet, forklift truck and Company Car emissions. Scope 3 Transport includes grey fleet and hire car emissions from fuel consumption.

Electricity scope 2 emissions are required to be Location based (LB). Market based reporting (MB) includes our zero-carbon electricity purchased.

- Water**

As a finite resource, we aim to reduce the amount of water required to produce our products and source all from sustainable sources. Our ISO14001 environmental management accreditation provides the framework to track and manage water consumption which this year has resulted in a reduced usage across our operations.

- Waste**

Our aim is to find a home for everything, and we take pride in avoiding waste wherever we can. Our waste management strategy includes 'zero waste to landfill'. We've signed up to Champions 12.3 and the commitment to reduce food losses through the Courtauld's commitment. This year we piloted our Love Your Turkey Leftovers campaign to encourage consumers to not waste their Christmas leftovers.

- Plastics**

Raw poultry needs to be packaged in a way that promotes food safety, but not at the expense of the environment. We participate in the global movement to minimise plastic usage and are now signatories to WRAP's Plastic Pact. This year we have designed and launched a new innovative bagging packaging solution for poultry portions and whole birds, which requires 50% less plastic.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

- **Biodiversity**

Our responsibility to protect and enhance the natural world goes beyond our own local footprint which is why we use 100% sustainable soymeal traceable back to sub-national regions, and we don't use palm oil in our animal feed. Over 50% of our wheat is purchased locally. We are working in close collaboration with Herefordshire stakeholders to understand and mitigate the impact of phosphate levels on local river systems.

- **Management**

We accept the responsibility for ensuring that our environmental commitments are met and provide the framework for continuous improvement in environmental performance through open communication, employee engagement and prioritised planning.

Management leadership through a sustainability team, representative of all the key parts of the agenda, delivers the governance to ensure Avara remains on target with the commitments made in our Responsible Business report.

- **At Home in The Community**

We recognise our responsibility to be proactive & positive members of all communities in which we operate. The locations of our UK sites are home to our people and neighbours. It means working together, listening to feedback, and responding with the appropriate support. We believe that with the right skills, resources, and approach, we are in a fantastic position to make a long-lasting difference to those around us.

- **Fighting Hunger**

We support FareShare, a charity fighting hunger and malnourishment by redistributing surplus food to charities across the UK. We are proud to have become the first major poultry processor to consistently deliver chicken to FareShare so charities can plan their meals more effectively, around reliable deliveries of fresh, healthy protein. COVID placed a significant strain on foodbanks & charity organisations so we increased the amount of food donated in this way providing up to 261,000 meals annually.

- **Healthy Lifestyles**

Our core business is providing healthy protein, so it makes sense that we support activities that encourage other aspects of a healthy lifestyle.

- **Supporting education**

Helping address skills gaps in the UK, preparing the next generation for work and supporting their education are all areas in which we can make a positive difference. We have well established relationships with partners in further and higher education, including Harper Adams University, NMITE in Hereford, Silverstone University Technical College. We are a regular supporter of STEM (science, technology, engineering, and mathematics) initiatives and Industrial Cadets under which we have provided a school's work-experience programme in collaboration with Engineering Development Trust. As well as offering opportunities for students through placement, apprenticeships and on our graduate scheme, we also aim to provide educational support, sharing our practical experiences to complement academic learning.

CORPORATE GOVERNANCE

Avara has adopted the Wates Principles to adhere with the UK Corporate Governance Code for Large Private Companies: a set of guiding principles to use as a framework when making disclosures about corporate governance arrangements.

1. Purpose and Leadership - *An effective board promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose.*

Being clear on our purpose and business focus has accelerated the development of Avara's unique culture, informed our investment & business plan priorities and shaped our ongoing approach in response to COVID-19.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

- 2. Board Composition** - *Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.*

At Avara Foods, the business is managed by an Executive Board consisting of 8 directors with functional, strategic and governance responsibilities. The Avara Group shareholders are represented at Shareholder Board with 6 members where one takes the role of Chairman. The boards of Avara Foods meet through the year to review strategy, business model & investment plans.

- For this year, the Boards adapted to new ways of working & met regularly using video conferencing technology. Where appropriate, in line with Government guidelines, the Executive Board have reverted to face to face meetings to support strategy review & business planning.

- 3. Director Responsibilities** - *A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.*

The Executive board have defined role-based accountabilities as well as shared collective responsibilities coming together as part of a highly effective team. Senior leaders work alongside the Executive in shaping business plans and to collectively manage business performance & risk. Agendas covering Inclusivity & Diversity, Health & Wellbeing and Sustainability are led by senior leadership, sponsored by a member of the Executive.

- 4. Opportunity and risk** - *A board should promote the long-term success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.*

Avara's Risk Governance is led by an Executive director and delivers a framework through which risks, which could divert resources, undermine performance or create financial instability, can be identified and managed. There are several key risks including health & safety, food safety and bird welfare which are embedded in operational management responsibilities as a fundamental part of being a responsible food business.

- 5. Remuneration** - *A board should promote executive remuneration structures aligned to the sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company.*

Remuneration for Executive directors and senior managers is aligned with the achievement of short- and long-term company performance & value measures. This is reviewed independently by the Shareholder Board annually and periodically supported by external benchmarking conducted by a third party.

- 6. Stakeholder Relationships and Engagement** - *A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and have regard to that discussion when taking decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.*

Our purpose is to be "a company you want to work with and for" and therefore engaging and communicating with our stakeholders is fundamental to how Avara do business.

We also understand our responsibilities under Section 172 Companies Act 2006 and recognise that effective engagement with a wide range of stakeholders is essential to our own long-term success, and that our success should be for the benefit of our stakeholders as a whole.

To achieve this, we take care to understand the views and interests of a diverse range of stakeholders and factor them into our decision making. Engaging with a wide range of stakeholders also helps us balance the competing pressures on our business and ensure that we continue to provide high quality, safe and accessible protein without compromising on our standards or culture.

During the year the company provided information to enable Directors to consider the impact of the company's decisions on its key stakeholders. This information was distributed in a range of different formats including reports and presentations on financial and operational performance, non-financial key performance indicators, risk, environmental, social, and corporate governance matters, and the outcomes of specific pieces of engagement such as surveys.

We acknowledge that every decision we make will not necessarily result in a positive outcome for all stakeholders. By considering the company's purpose, vision, and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

The company delegates authority for day-to-day management of the company to executives and then engages management in setting, approving, and overseeing the execution of the business strategy and related policies. The company delegates to executive management to review the company's financial and operational performance, risk and compliance, and health and safety matters.

Stakeholder Group Engagement

- **Colleagues**

Our colleagues are the heartbeat of Avara. Their input and views are sought using a number of channels: a regular all-employee survey, employee forums, engagement with Trades Union partners and via an independent, anonymous whistleblowing line. Acting on their feedback we have introduced new communication methods and languages to ensure colleagues can access important information about the business. Looking ahead, we have established a leadership team dedicated to Diversity and Inclusion, looking at more ways we can ensure everyone at Avara feels welcomed, accepted and valued.

- **Customers and Consumers**

We work in close partnership with customers to optimise the end-to-end supply chain and product mix so that we can consistently create value for all parties and meet the changing needs of the modern consumer. Through our in-house insight portal, we quickly gauge the feelings of consumers on a wide range of topics and understand what matters most when they are shopping. Notably, this partnership approach has led to product and packaging innovations that have proven popular in-store.

- **Suppliers and Producers**

Our supply chain partners play a vital role in our business and ensure that our standards and expectations are upheld. We work closely with our contract farming base and engage with them on a regular basis, and on a range of issues, through formal surveys, working groups and regular events and forums. Their insight and experience have helped develop Avara's positions on important issues including animal welfare and reducing our environmental footprint.

- **Agencies, Trade Bodies and NGOs**

As a responsible business, it is important that we continue to meet the standards expected of us and identify opportunities for continual improvement. Leaders from Avara sit on several industry committees and have been influential in setting new standards to take our industry forward in important areas like environmental impact, animal welfare and antibiotic use.

- **Shareholders**

We want our shareholders to understand & actively support our company strategy to deliver growth and create value. We provide clear, timely performance reports and regularly discuss issues and decisions. Shareholders want to be up to date with key risks and to be clear about company commitments on environmental, social and governance matters.

- **Engaging through COVID-19**

Engagement with all stakeholders informed our response to COVID-19. Our decision-making process throughout the pandemic has demonstrated our open, collaborative way of working and considered potential impacts and viewpoints from all stakeholders. We prioritised the health and safety of Avara's colleagues, agreed the re-prioritisation of products to overcome labour shortages and maintain supply to customers, and liaised closely with public health bodies at a national and local level to ensure our COVID protection measures adopted best practice.

As a result, the company has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to discharge its section 172 duties.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

2020-21 TRADING REVIEW

The COVID pandemic changed how consumers shopped for food, with more purchased online & consumed at home. Our retail, supermarket focussed business was well placed to meet a 15-20% increase in demand for fresh poultry products as the UK moved to preparing food at home. Meeting this significant uplift was achieved by working collaboratively with our customers to optimise range, volume and factory capacity and upscaling direct recruitment to ensure operations were fully manned despite higher levels of COVID related absence.

Avara's foodservice business spent much of the year adapting to changes in demand created by an ever-changing picture for local and national lockdowns. Some customers moved to increase their click & collect or third-party delivery services which mitigated the impact of lockdowns on overall demand later in the trading year. The Government Eat Out to Help Out (EOHO) scheme in August 2020 provided a short-term boost to the sector but created an offsetting negative impact on supermarket demand. Into autumn/winter, foodservice sales were depressed by lockdown conditions before scaling up again when restrictions started to lift in April 2021.

The financial performance in Avara's turkey supply chain was more materially impacted than across chicken because of its greater exposure to the foodservice sector. The long pipeline for turkey means this sector is unlikely to fully recover until 2022. The 2020 seasonal campaign was delivered successfully despite late changes which impacted the ability of families to get together over the Christmas season.

Avara fully exited duck operations in July 2020 with frozen finished goods stock fully sold by December 2020. Total closure costs remained in line with the £5.9M exceptional provisions made in 2019-20. Following closure, the factory was temporarily empty other than when supporting a small-scale seasonal turkey packing operation.

Despite the increased complexity created by COVID safety protocols and social distancing, service levels to customers and product assurance standards were maintained throughout the year. Annually, COVID related operating expenditure totalled c.£5M. However, the company remained in a strong financial position and did not access government funding schemes nor furlough any part of its workforce. In fact, effective risk & cash management resulted in all bank facilities being repaid and gearing return to nil, in readiness for 2022 investment.

The business was well prepared for new Brexit requirements and planned a phased approach for exports to the EU in January 2021. Initial complexity was driven by new customs processes, changes in traffic arrangements at ports and additional veterinary administration. This settled after a few weeks, but the ongoing administrative & logistics cost impact is now c.£2.5M per annum.

Labour challenges emerged in March 2021, linked to Brexit, the EU Settlement Scheme and the extension into summer 2021 of the Government's COVID furlough scheme. As this developed, a shortage of key skills began to impact performance with available labour prioritised to deliver core products, negatively impacting the margin mix. On the plus side, following a collaborative, long-term development project with suppliers & customers and a £12M capital investment, Avara launched a new range of fresh poultry products which are easier for consumers to handle at home, reduced plastic usage by 50% and increased factory productivity. This key automation project will complete in 2021-22, upskilling operational roles and future proofing supply amidst an increasingly competitive labour market.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

The directors consider the key performance indicators to be:

	2021	2020
Turnover	£1,194M #	£1,207M
Gross profit margin	12.5%	9.7%
EBITDA (excluding exceptional costs)	£53.2M	£47.0M
Operating profit (EBIT) (excluding exceptional costs)	£23.0M	£21.9M
Profit after taxation before exceptional costs	£16.9M	£17.1M
Exceptional Items – Closure Costs of duck operations	n/a	(£5.9M)
Profit after taxation and exceptional costs	£16.9M	£11.2M
Return on capital employed % (EBT/CE)	7.3%	5.2%
Liquidity	1.92	1.99
Gearing	0.0%	4.0%

Turnover reduction includes £(17.5M) from the closure of the duck business

Poultry products continued to be a staple in consumers shopping baskets and therefore the business performed well despite the challenging market & operational conditions.

2021-22 OUTLOOK

The changes in the UK labour market first identified in Q4 2021 are anticipated to worsen through Q1 (summer 2021) and believed to be structural & systemic. Going forward, we anticipate greater demand for key skills, both unique to our sector and those that are more generic, such as drivers, will impact our ability to operate. As far as is possible, we will mitigate by adjusting our supply chain, but most interventions are likely to be inflationary. Without seasonal worker or key skill derogations, labour constraints are likely to be greater across the summer months and during Christmas campaigns. It seems inevitable that pay inflation will lead to higher operating costs, squeezing margins, with a downstream impact on product prices and investment.

The imbalance in Avara's turkey supply chain created by COVID lockdowns and now compounded by a structural change in seasonal labour following BREXIT, is expected to continue into 2022. Working with customers and our farming partners, a new operating model will be introduced to ensure this sector is sustainable, can meet customer demand and financially supports the reinvestment required.

Despite what is expected to be a tougher economic backdrop over the next trading year, we believe fresh poultry has an important place in consumer diets as a sustainable, healthy, versatile, affordable protein so we continue to forecast strong underlying demand for the products we produce.

We do not expect any change in consumer expectations for UK provenance, supply chain transparency and high standards of animal welfare in 2021-22. We continue to focus on being a supplier our customers can trust to do the right thing. This will be underpinned by ensuring effective & sustainable utilisation of our facilities and raw material, supported by an innovative programme of investment in automation, skills and operating standards that ensure Avara's supply chains are future fit.

We continue to back our ability to compete with the very best and work in partnership with our customers to unlock new opportunities.

On behalf of the board

Mr I J Faccenda

Director

14.1.2022

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2021

The directors present their annual report and financial statements for the year ended 31 May 2021.

Principal activities

The group's principal activity during the year continued to be the supply of fresh poultry products to major retailers, food service and manufacturing companies in the United Kingdom through an integrated supply chain of rearing, processing, sales and distribution.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr I J Faccenda
Mr R M Faccenda
Mr B Faccenda
Mr S J Marlor
Mr H Kabat
Mr K Zimmermann

Results and dividends

The results for the year are set out on page 19.

No ordinary dividends were paid. The directors do not recommend payment of a dividend.

Financial instruments

Financial risk management

The business is subject to certain financial risks, but has procedures and controls in place to mitigate these risks:

Price risk

The company is exposed to commodity price risk as a result of its operations and routinely reviews market trends and indicators. In view of the volatility in feed markets, fixed price contracts are in place with a range of customers to manage the business risk.

Credit risk

The company works to continually improve the assessment of trading levels & credit risk which includes regular credit rating checks. Close dialogue with customers proved successful during the COVID lockdown with no impact on cash recovery targets and negligible trading terms support. Payment reliability remains high with continued very low exposure to bad debt.

Liquidity risk

The business is managed with bank working capital facilities to manage short term fluctuations and ensures that it has sufficient access to long term funding to meet investment requirements.

Interest Rate risk

The business incurs minimal external interest charges. With limited external borrowing the impact of interest rate changes is seen as a minimal risk.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor

In accordance with the company's articles, a resolution proposing that Whitley Stimpson Limited be reappointed as auditor of the group will be put at a General Meeting.

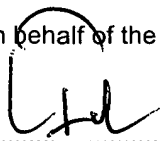
Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Mr I J Faccenda
Director

Date: 14.1.2022

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2021

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). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

Opinion

We have audited the financial statements of Avara Foods Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2021 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

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 group's and parent 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

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 parent 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.

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.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the risk of revenue recognition being materially misstated due to fraud, and the calculation of the management charges. We considered the extent to which non-compliance might have a material effect on the financial statements, and considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks related to revenue.

Audit procedures performed included:

- Discussion amongst the audit team regarding the susceptibility of the client to fraud;
- Consideration of the risk of fraud when documenting and reviewing internal controls and procedures;
- Enquiring of management how they assess the risk of fraud, and identify and respond to the risks of fraud;
- Enquiring of management whether they have any knowledge of actual or suspected frauds or non-compliance with laws and regulations;
- Review of how those charged with governance exercise oversight of management's process for identifying and responding to the risk of fraud;
- Substantive testing of revenue and debtors;
- Review of journals for unusual items;
- Review relevant tax correspondence;
- Discussion of the assumptions used when calculating the management charges with management and analytical review;
- Review VAT return entries and perform analytical procedures on VAT balances;
- Substantive testing on fixed assets including having sight of the assets to confirm existence;
- Verification of employees;
- Review of bank reconciliations for evidence of window dressing;
- Review of minutes of meetings of those charged with governance;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

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.

Martin Anson
Whitley Stimpson

Martin Anson (Senior Statutory Auditor)

For and on behalf of Whitley Stimpson Limited

Chartered Accountants

Statutory Auditor

Penrose House

67 Hightown Road

Banbury

Oxfordshire

OX16 9BE

Date: 14th January 2022

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2021

	Notes	Continuing operations £	Discontinued operations £	31 May 2021 £	Continuing operations £	Discontinued operations £	31 May 2020 £
Turnover	3	1,182,152,792	11,823,189	1,193,975,981	1,177,614,071	29,373,084	1,206,987,155
Cost of sales		(1,060,368,894)	(12,838,921)	(1,073,207,815)	(1,058,513,249)	(31,576,078)	(1,090,089,327)
Gross profit		121,783,898	(1,015,732)	120,768,166	119,100,822	(2,202,994)	116,897,828
Distribution costs		(59,527,018)	(608,854)	(60,135,872)	(58,111,311)	(1,553,473)	(59,664,784)
Administrative expenses		(39,176,991)	(402,748)	(39,579,739)	(35,552,435)	(1,512,460)	(37,064,895)
Other operating income		1,800,402	101,000	1,901,402	1,689,410	85,412	1,774,822
Exceptional item	4	-	-	-	-	(5,882,857)	(5,882,857)
Operating profit	5	24,880,291	(1,926,334)	22,953,957	27,126,486	(11,066,372)	16,060,114
Interest receivable and similar income	8	40,021	-	40,021	68,542	-	68,542
Interest payable and similar expenses	9	(117,960)	(148,815)	(266,775)	(316,058)	(151,783)	(467,841)
Profit before taxation		24,802,352	(2,075,149)	22,727,203	26,878,970	(11,218,155)	15,660,815
Tax on profit	10	(5,827,667)	-	(5,827,667)	(4,491,251)	-	(4,491,251)
Profit for the financial year	26	18,974,685	(2,075,149)	16,899,536	22,387,719	(11,218,155)	11,169,564

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP BALANCE SHEET AS AT 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	13		212,836,608		211,418,859
Current assets					
Stocks	16	69,255,576		75,933,265	
Debtors	17	131,217,645		114,922,533	
Cash at bank and in hand		6,905,984		10,128,934	
		207,379,205		200,984,732	
Creditors: amounts falling due within one year	18	(101,866,706)		(93,605,873)	
Net current assets			105,512,499		107,378,859
Total assets less current liabilities			318,349,107		318,797,718
Creditors: amounts falling due after more than one year	19		-		(12,000,000)
Provisions for liabilities					
Provisions	21	-		5,882,857	
Deferred tax liability	22	3,121,397		2,586,687	
			(3,121,397)		(8,469,544)
Net assets			315,227,710		298,328,174
Capital and reserves					
Called up share capital	24		2,000,000		2,000,000
Share premium account	25		260,555,517		260,555,517
Profit and loss reserves	26		52,672,193		35,772,657
Total equity			315,227,710		298,328,174

The financial statements were approved by the board of directors and authorised for issue on 14.1.2022 and are signed on its behalf by:

Mr I J Faccenda
Director

DocuSigned by:
Hans Kabat
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Mr H Kabat
Director

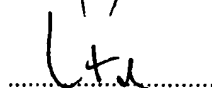
AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

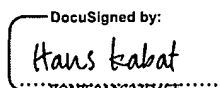
COMPANY BALANCE SHEET AS AT 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Investments	14	262,555,517		262,555,517	
Current assets		-		-	
Creditors: amounts falling due within one year	18	(658,446)		(658,446)	
Net current liabilities		(658,446)		(658,446)	
Net assets		261,897,071		261,897,071	
Capital and reserves					
Called up share capital	24	2,000,000		2,000,000	
Share premium account	25	260,555,517		260,555,517	
Profit and loss reserves	26	(658,446)		(658,446)	
Total equity		261,897,071		261,897,071	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £0 (2020 - £0 profit).

The financial statements were approved by the board of directors and authorised for issue on 14.1.2022 and are signed on its behalf by:


.....
Mr I J Faccenda
Director

DocuSigned by:

.....
Mr H Kabat
Director

Company Registration No. 10954531

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2021

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 June 2019	2,000,000	260,555,517	24,603,093	287,158,610
Year ended 31 May 2020:				
Profit and total comprehensive income for the year	-	-	11,169,564	11,169,564
Balance at 31 May 2020	2,000,000	260,555,517	35,772,657	298,328,174
Year ended 31 May 2021:				
Profit and total comprehensive income for the year	-	-	16,899,536	16,899,536
Balance at 31 May 2021	2,000,000	260,555,517	52,672,193	315,227,710

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2021

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 June 2019	2,000,000	260,555,517	(658,446)	261,897,071
Year ended 31 May 2020:				
Profit and total comprehensive income for the year	-	-	-	-
Balance at 31 May 2020	2,000,000	260,555,517	(658,446)	261,897,071
Year ended 31 May 2021:				
Profit and total comprehensive income for the year	-	-	-	-
Balance at 31 May 2021	2,000,000	260,555,517	(658,446)	261,897,071

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	31	45,036,608		52,614,702	
Interest paid		(266,775)		(467,841)	
Income taxes paid		(4,352,000)		(6,567,265)	
Net cash inflow from operating activities		<u>40,417,833</u>		<u>45,579,596</u>	
Investing activities					
Purchase of tangible fixed assets		(33,232,232)		(31,705,507)	
Proceeds on disposal of tangible fixed assets		1,551,428		1,756,427	
Interest received		40,021		68,542	
Net cash used in investing activities		<u>(31,640,783)</u>		<u>(29,880,538)</u>	
Financing activities					
Repayment of bank loans		(12,000,000)		-	
Net cash used in financing activities		<u>(12,000,000)</u>		<u>-</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(3,222,950)</u>		<u>15,699,058</u>	
Cash and cash equivalents at beginning of year		10,128,934		(5,570,124)	
Cash and cash equivalents at end of year		<u><u>6,905,984</u></u>		<u><u>10,128,934</u></u>	

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Net increase in cash and cash equivalents			<u>-</u>		<u>-</u>
Cash and cash equivalents at beginning of year			-		-
Cash and cash equivalents at end of year			<u>-</u>		<u>-</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

Company information

Avara Foods Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1 Willow Road, Brackley, Northants, NN13 7EX.

The group consists of Avara Foods Holdings Limited and its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Avara Foods Holdings Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to a mean accounting date of 31 May 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.4 Turnover

Turnover represents the total amount receivable by the group from the sale of goods and the provision of services, together with the sale of feedstuffs and day old chicks to third party growers who have been contracted to grow the chicks under a sale and purchase agreement exclusive of value added tax and inter group sales. Turnover is recognised when the goods and services are physically delivered to the customer.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% - 5% per annum straight line
Leasehold land and buildings	1% - 10% per annum straight line
Plant and equipment	7% - 33.3% per annum straight line
Motor vehicles	25% per annum straight line

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Stocks and work in progress which has been transferred to third party growers is recognised when the risks and rewards of ownership are considered to remain with the company.

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Where budgetary expectations are such that anticipated profits are sufficient to recover decelerated capital allowances, a deferred tax asset is recognised.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

(Continued)

1.14 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Defined contribution schemes

For defined contribution schemes, the group pays contributions to privately administered pension schemes on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Incorporated within the valuation of stock and work in progress, the group uses judgements and estimates of operational performance to support the calculations used within the financial statements. The value of stock and work in progress is detailed in note 16 to the financial statements.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Food	1,193,975,981	1,206,987,155
	<u>1,193,975,981</u>	<u>1,206,987,155</u>
	2021 £	2020 £
Other significant revenue		
Interest income	40,021	68,542
	<u>40,021</u>	<u>68,542</u>
	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	1,158,844,800	1,164,316,830
Europe	32,469,536	38,783,434
Rest of World	2,661,645	3,886,891
	<u>1,193,975,981</u>	<u>1,206,987,155</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

4 Exceptional item

	2021 £	2020 £
Expenditure		
Exceptional costs in relation to the closure of the duck operations of Faccenda Foods (Lincs) Limited	-	5,882,857
	<u>-</u>	<u>5,882,857</u>

The prior year financial statements included exceptional costs of £5,882,857 which relate to the costs associated with closing the duck operations of Faccenda Foods (Lincs) Limited.

These arose because at the end of 2019, rapid changes in the duck market undermined the future viability of the business. African swine fever in China significantly reduced the size of the pig herd driving an increase in the number of ducks reared to replace pig protein. This contributed to a collapse in the global price of duck feathers, a valuable secondary export market for Avara. Combined with increasing feed costs and intense competition from frozen European duck, this materially impacted Avara's duck model and undermined the potential for its recovery in the foreseeable future. The subsequent onset of COVID-19 in early 2020 and consequent reduction in restaurant and manufacturing demand further compounded the situation.

5 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	1,091,780	(146,413)
Depreciation of owned tangible fixed assets	29,117,071	26,166,069
Impairment of owned tangible fixed assets	436,259	-
Loss/(profit) on disposal of tangible fixed assets	709,725	(1,092,351)
Operating lease charges - hire of plant and machinery	8,937,766	8,146,852
Operating lease charges - other operating leases	8,274,886	8,188,005
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	38,500	39,500
Audit of the financial statements of the company's subsidiaries	178,500	198,500
	<u>217,000</u>	<u>238,000</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Production	6,216	6,107	-	-
Sales and distribution	304	251	-	-
Administration	269	292	-	6
	<u>6,789</u>	<u>6,650</u>	<u>-</u>	<u>6</u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	173,289,225	165,812,093	-	-
Social security costs	15,843,469	14,674,746	-	-
Pension costs	9,763,125	10,074,730	-	-
	<u>198,895,819</u>	<u>190,561,569</u>	<u>-</u>	<u>-</u>

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Other interest income	<u>40,021</u>	<u>68,542</u>

9 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	264,865	503,713
Other interest on financial liabilities	-	(36,000)
	<u>264,865</u>	<u>467,713</u>
Other finance costs:		
Other interest	1,910	128
Total finance costs	<u>266,775</u>	<u>467,841</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	6,033,015	4,554,121
Adjustments in respect of prior periods	(740,058)	-
Total current tax	5,292,957	4,554,121
Deferred tax		
Origination and reversal of timing differences	(457,598)	(302,552)
Changes in tax rates	725,760	241,369
Previously unrecognised tax loss, tax credit or timing difference	64,441	(1,687)
Other adjustments	202,107	-
Total deferred tax	534,710	(62,870)
Total tax charge	5,827,667	4,491,251

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	22,727,203	15,660,815
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	4,318,169	2,975,555
Tax effect of expenses that are not deductible in determining taxable profit	935,355	682,498
Tax effect of income not taxable in determining taxable profit	(13,325)	-
Change in unrecognised deferred tax assets	(1,534)	-
Adjustments in respect of prior years	(740,058)	1,687
Depreciation on assets not qualifying for tax allowances	64,062	67,815
Other permanent differences	(77,908)	-
Deferred tax adjustments in respect of prior years	266,548	(3,374)
Indexation allowance	(96,896)	-
Deferred tax not recognised	-	138,037
Remeasurement of deferred tax for rate changes	349,240	160,088
Fixed asset differences	824,014	468,945
Taxation charge	5,827,667	4,491,251

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

11 Discontinued operations

Duck operations

In April 2020, the group announced the decision to close duck operations and the £5.9M exceptional costs of this sector exit were reflected in the 2019-20 result. During 2020-21, the business traded through the finished goods stock held at July 2020, when duck production & processing ceased, and ran with minimal staffing through this period with simpler despatch activities.

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2021 £	2020 £
In respect of:			
Property, plant and equipment	13	436,259	-
		<u>436,259</u>	<u>-</u>
Recognised in:			
Administrative expenses		436,259	-
		<u>436,259</u>	<u>-</u>

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

13 Tangible fixed assets

Group	Freehold buildings	Leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2020	126,225,740	12,237,119	130,628,133	424,355	269,515,347
Additions	7,364,270	543,256	25,324,706	-	33,232,232
Disposals	(3,684,706)	(55,216)	(14,170,316)	(3,292)	(17,913,530)
Transfers	(108,642)	108,642	-	-	-
At 31 May 2021	129,796,662	12,833,801	141,782,523	421,063	284,834,049
Depreciation and impairment					
At 1 June 2020	14,385,870	1,887,737	41,702,463	120,418	58,096,488
Depreciation charged in the year	5,819,599	829,052	22,420,830	47,590	29,117,071
Impairment losses	119,158	102,037	215,064	-	436,259
Eliminated in respect of disposals	(2,098,269)	(28,075)	(13,526,033)	-	(15,652,377)
Transfers	95,325	(95,325)	-	-	-
At 31 May 2021	18,321,683	2,695,426	50,812,324	168,008	71,997,441
Carrying amount					
At 31 May 2021	111,474,979	10,138,375	90,970,199	253,055	212,836,608
At 31 May 2020	111,839,870	10,349,382	88,925,670	303,937	211,418,859

The company had no tangible fixed assets at 31 May 2021 or 31 May 2020.

More information on impairment movements in the year is given in note 12.

14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	262,555,517	262,555,517

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

14 Fixed asset investments (Continued)

Movements in fixed asset investments Company

Shares in
subsidiaries
£

Cost or valuation

At 1 June 2020 and 31 May 2021

262,555,517

Carrying amount

At 31 May 2021

262,555,517

At 31 May 2020

262,555,517

15 Subsidiaries

Details of the company's subsidiaries at 31 May 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Avara Foods Limited	United Kingdom	Ordinary shares	100	-
Cranberry Foods Limited	United Kingdom	Ordinary shares	-	100
Faccenda Foods (Lincs) Limited	United Kingdom	Ordinary shares	-	100
Faccenda Foods Limited	United Kingdom	Ordinary shares	-	100
Freemans of Newent Limited	United Kingdom	Ordinary shares	-	100

The share capital of Faccenda Foods Limited and Freemans of Newent Limited are held by Avara Foods Limited.

The share capital of Faccenda Foods (Lincs) Limited and Cranberry Foods Limited are held by Faccenda Foods Limited.

16 Stocks

	Group 2021 £	2020 £	Company 2021 £	2020 £
Raw materials and consumables	24,450,786	24,300,432	-	-
Work in progress	24,091,400	23,777,022	-	-
Finished goods and goods for resale	20,713,390	27,855,811	-	-
	<u>69,255,576</u>	<u>75,933,265</u>	<u>-</u>	<u>-</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

17 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	118,999,576	103,899,309	-	-
Corporation tax recoverable	1,968,069	399,588	-	-
Other debtors	5,345,779	5,045,613	-	-
Prepayments and accrued income	4,904,221	5,578,023	-	-
	<u>131,217,645</u>	<u>114,922,533</u>	<u>-</u>	<u>-</u>

18 Creditors: amounts falling due within one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Trade creditors	76,096,538	66,265,881	-	-
Amounts owed to group undertakings	-	-	658,446	658,446
Corporation tax payable	2,509,438	-	-	-
Other taxation and social security	4,725,504	4,465,716	-	-
Other creditors	5,085,956	4,911,415	-	-
Accruals and deferred income	13,449,270	17,962,861	-	-
	<u>101,866,706</u>	<u>93,605,873</u>	<u>658,446</u>	<u>658,446</u>

In October 2018, the company, together with all of its subsidiaries, entered into an omnibus guarantee and set off agreement with Lloyds Bank plc, which provides an unlimited cross guarantee with the same bank. The bank facilities of the group are secured by a debenture, which secures monies due or becoming due by way of a fixed charge over trade debts, and by way of a floating charge over other assets not subject to the fixed charge.

19 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts	20	-	12,000,000	-	-

20 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	-	12,000,000	-	-
Payable after one year	-	12,000,000	-	-

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

20 Loans and overdrafts

(Continued)

In October 2018, the company, together with all of its subsidiaries, entered into an omnibus guarantee and set off agreement with Lloyds Bank plc, which provides an unlimited cross guarantee with the same bank. The bank facilities of the group are secured by a debenture, which secures monies due or becoming due by way of a fixed charge over trade debts, and by way of a floating charge over other assets not subject to the fixed charge.

21 Provisions for liabilities

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Closure costs of the duck operations of Faccenda Foods (Lincs) Limited		-	5,882,857	-	-
Deferred tax liabilities	22	3,121,397	2,586,687	-	-
		<u>3,121,397</u>	<u>8,469,544</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

Group	Provision for closure costs of the duck operations of Faccenda Foods (Lincs) Limited £
At 1 June 2020	5,882,857
Utilisation of provision	(5,882,857)
At 31 May 2021	<u>-</u>

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2021 £	Liabilities 2020 £
Accelerated capital allowances	(728,715)	(454,470)
Revaluations	-	3,239,229
Investment property	3,850,112	-
Other timing differences	-	(198,072)
	<u>3,121,397</u>	<u>2,586,687</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

22 Deferred taxation

(Continued)

The company has no deferred tax assets or liabilities.

	Group 2021 £	Company 2021 £
Movements in the year:		
Liability at 1 June 2020	2,586,687	-
Charge to profit or loss	534,710	-
Liability at 31 May 2021	3,121,397	-

An increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, was substantially enacted on 24 May 2021. This will increase the company's future corporation tax charges accordingly. Once a timing difference has been calculated, a deferred tax asset or liability is recognised by multiplying this difference by the enacted or substantively enacted tax rate that is expected to apply when the difference reverses.

23 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	9,763,125	10,074,730

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
A Ordinary Shares of 50p each	2,000,000	2,000,000	1,000,000	1,000,000
B Ordinary Shares of 50p each	2,000,000	2,000,000	1,000,000	1,000,000
	4,000,000	4,000,000	2,000,000	2,000,000

25 Share premium account

	Group 2021 £	2020 £	Company 2021 £	2020 £
At the beginning and end of the year	260,555,517	260,555,517	260,555,517	260,555,517

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

26 Profit and loss reserves

	Group 2021 £	2020 £	Company 2021 £	2020 £
At the beginning of the year	35,772,657	24,603,093	(658,446)	(658,446)
Profit for the year	16,899,536	11,169,564	-	-
At the end of the year	<u>52,672,193</u>	<u>35,772,657</u>	<u>(658,446)</u>	<u>(658,446)</u>

27 Financial commitments, guarantees and contingent liabilities

As at the balance sheet date, the group was committed to purchasing £8,549,952 (2020 - £7,966,367) of feed raw materials under contracts with an agreed fixed date of delivery and price.

28 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	15,072,393	14,018,295	-	-
Between two and five years	38,496,666	36,033,695	-	-
In over five years	40,355,658	48,640,484	-	-
	<u>93,924,717</u>	<u>98,692,474</u>	<u>-</u>	<u>-</u>

29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Acquisition of tangible fixed assets	<u>12,053,097</u>	<u>7,806,199</u>	<u>-</u>	<u>-</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

30 Related party transactions

Transactions with related parties

In accordance with section 33.1A of FRS 102 disclosure is not given in these financial statements of transactions entered into between two or more members of the group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

During the year the group entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2021	2020	2021	2020
	£	£	£	£
Cargill Canada	1,967,367	1,793,133	-	-
Sun Valley Foods Limited	7,333,660	22,902,193	-	-
Dartmouth Foods Limited	1,637,069	5,328,272	-	-
Cargill plc	11,184	13,506	43,445,311	45,955,215
Frontier Agriculture Limited	-	-	13,763,349	15,841,649
Cargill Global Funding	-	-	2,766	194,160
Provimi Limited	-	-	7,153,472	5,277,607
Cargill Srl	-	-	23,848	5,720
Cargill BV	-	-	26,165	381,425
Cargill SLU	-	-	-	3,154
CME 1036 - Whitchurch	-	-	7,824,383	8,046,184
Faccenda Farms Limited	-	-	1,254,590	1,332,201
	<u>10,949,280</u>	<u>30,037,104</u>	<u>73,493,884</u>	<u>77,037,315</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

30 Related party transactions

(Continued)

	Rent		Management Charges	
	2021	2020	2021	2020
	£	£	£	£
Faccenda Investments Limited	-	768,355	-	-
The Hillesden Trust	2,702,583	2,863,913	-	-
Faccenda Property Limited	908,055	-	-	-
Cargill Global Funding	-	-	-	20,231
Ingleby (159)	-	-	3,488,661	3,317,982
	<u>3,610,638</u>	<u>3,632,268</u>	<u>3,488,661</u>	<u>3,338,213</u>

	Other charges payable		Other charges receivable	
	2021	2020	2021	2020
	£	£	£	£
Faccenda Investments Limited	84,354	47,774	21,229	73,865
Faccenda Property Limited	4,242	227,637	623,012	638,264
Ingleby (159)	-	-	70,365	90,565
The Hillesden Trust	-	-	249,039	-
	<u>88,596</u>	<u>275,411</u>	<u>963,645</u>	<u>802,694</u>

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties	2021	2020
	£	£
Cargill plc	707,805	486,560
Cargill s.r.l	1,603	834
Frontier Agriculture Limited	1,325,336	991,889
Cargill BV	1,733	-
Provimi Limited	303,520	527,429
Faccenda Property Limited	-	223,037
Ingleby 159	-	319,987
CME 1036 - Whitchurch	83,321	549,714
	<u>2,423,318</u>	<u>3,099,450</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

30 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

Amounts owed by related parties	2021 £	2020 £
Faccenda Investments Limited	18,438	-
Faccenda Property Limited	29,236	53,369
Cargill Soya Crush	3,297,182	-
Cargill Canada	120,918	167,366
Dartmouth Foods Limited	3,932	968,406
Sun Valley Foods Limited	348,666	284,104
	<u>3,818,372</u>	<u>1,473,245</u>

31 Cash generated from group operations

	2021 £	2020 £
Profit for the year after tax	16,899,536	11,169,564
Adjustments for:		
Taxation charged	5,827,667	4,491,251
Finance costs	266,775	467,841
Investment income	(40,021)	(68,542)
Loss/(gain) on disposal of tangible fixed assets	709,725	(1,092,351)
Depreciation and impairment of tangible fixed assets	29,553,330	26,166,069
(Decrease)/increase in provisions	(5,882,857)	5,882,857
Movements in working capital:		
Decrease/(increase) in stocks	6,677,689	(7,579,932)
(Increase)/decrease in debtors	(14,726,631)	9,890,859
Increase in creditors	5,751,395	3,287,086
Cash generated from operations	<u>45,036,608</u>	<u>52,614,702</u>

32 Cash absorbed by operations - company

	2021 £	2020 £
Profit for the year after tax	-	-
Cash absorbed by operations	<u>-</u>	<u>-</u>

AVARA FOODS HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

33 Analysis of changes in net funds/(debt) - group

	1 June 2020 £	Cash flows £	31 May 2021 £
Cash at bank and in hand	10,128,934	(3,222,950)	6,905,984
Borrowings excluding overdrafts	(12,000,000)	12,000,000	-
	<u>(1,871,066)</u>	<u>8,777,050</u>	<u>6,905,984</u>