

MILK LINK PROCESSING LIMITED

FINANCIAL STATEMENTS

For the year ended 3 April 2010

Company number 04341233



MILK LINK PROCESSING LIMITED

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For the year ended 3 April 2010

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MILK LINK PROCESSING LIMITED

DIRECTORS AND ADVISORS For the year ended 3 April 2010

Company Number: 04341233

Registered Office: 3120 Great Western Court
Hunts Ground Road
Stoke Gifford
Bristol
BS34 8HP

Directors: N Glen
D A J Williams
N Kennedy

Secretary: K Young

Bankers: Lloyds Banking Group Plc

Solicitors: Burges Salmon LLP

Auditors: Deloitte LLP,
Reading

MILK LINK PROCESSING LIMITED

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year ended 3 April 2010

Principal activities and business review

The company's principal activities are the processing of milk into consumer products and the processing of surplus milk into bulk commodity products. The company also acts as the administrative centre for the Milk Link Group and bears the cost of most of the head office management team. An appropriate share of these costs is recharged to other Group companies.

During the year we announced the strategic refocusing of our long life and extended shelf life milk and cream business. Integral to this plan was the consolidation of all milk production into our Crediton dairy, which has benefited from a substantial programme of investment during the year. In January Milk Link closed the smaller and less well-invested Kirkcudbright site in Scotland. This followed an extensive review of Milk Link's long life and extended shelf life milk operations to achieve greater manufacturing efficiencies and cost savings and create a platform for sustained business growth and profitability. As a result of the consolidation there is an operating exceptional charge, mainly for redundancy costs of £3.2m.

2010 saw an improvement in dairy commodity prices. Bulk Cream prices more than doubled during the period, peaking at £1,700 per tonne in October before returning to £1,225 per tonne by the year end. Similarly, butter prices rose from £1,950 to £3,300 per tonne in November before easing to £2,600 per tonne in March.

The UK dairy industry continues to contract albeit only slightly, UK milk production in 2009/10 fell by only 0.3% compared to the previous year.

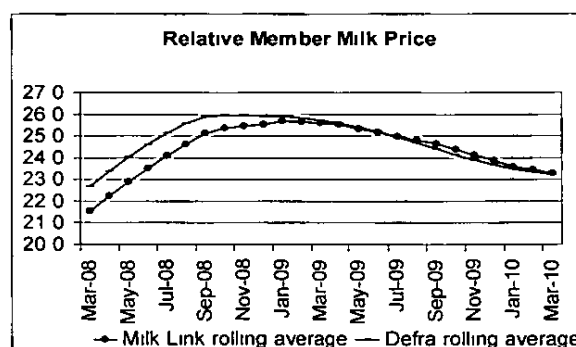
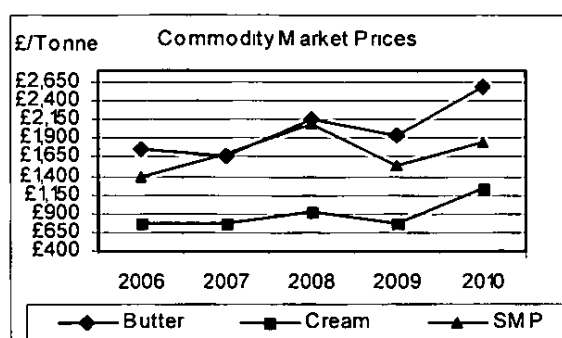
Overall turnover fell in the period compared to the prior year, as sales from Staplemead Ltd which was sold in September 2008, contributed in the prior year. Turnover pence per litre declined by 5.5ppl, with a reduction in long life milk volumes and lower commodity prices including bulk cream.

Input prices were, however, correspondingly lower and the company's ultimate parent, Milk Link Limited, recorded a 9% decrease in the milk price paid to farmer Members.

The deficit on reserves reduced to £26,103,000. The Group's Directors remain committed to the financial support of the company, which performs a valuable role in the "balancing economy" through the production of great tasting, high quality long life milk and creams, extended shelf life products and flavoured milks as well as balancing the Group's seasonal milk supply.

Milk Link considers the following economic indicators as key influences on business performance:

- Commodity market prices
- DEFRA farm-gate average



MILK LINK PROCESSING LIMITED

DIRECTORS' REPORT

In the opinion of the Directors, the principal risks facing the company are as follows

- Declining national production and reduced availability of milk
- Availability of financial resources

UK milk production declined slightly in the year, encouragingly it was the smallest decline in the past five years. The company's ultimate parent, Milk Link Ltd, has increased its share of the total UK milk production handled by 1.8% in the year. Milk Link Ltd, continues to assess its level of risk by reducing the amount of milk that it sells to other processors and by continuing to pay a competitive price to farmer Members.

Milk Link Processing will continue to work to provide a sustainable return to the Group's members whilst satisfying its customers with a wide range of top quality, value for money products. We will continue to invest in delivering industry leading product quality, innovation and customer service. We will continue to look for all opportunities to reduce costs without compromising quality.

The Milk Link Group, of which the company is a member, manages its financing at a Group level. Accordingly, the main source of finance at company level is represented by inter-company funding. In order to manage financing risks, the Group Board closely monitors actual financial performance against annual budgets and quarterly forecasts. In addition, three-year projections are regularly prepared and the adequacy of financial resources assessed against them.

The Milk Link Group relies on bank borrowings to part-fund its business, particularly the working capital needs. It has three separate facilities, covering The Cheese Company, Milk Link Llandyrnog and Milk Link Limited/Milk Link Processing. The latter expires in March 2011 and there is a £10M repayment due on the TCC facility on 29 December 2010. Milk Link, therefore, needs to replace these facilities during the year and has started this process by engaging with its existing banks to ensure a new group wide facility is in place by September 2010.

All our banks have expressed strong support for our business and the desire to continue to provide the necessary loans. An indicative term sheet has been submitted by one bank, which indicates funding is likely to be available at acceptable terms. Our business plan for the coming year shows good sales and profit growth and indicates all covenants on the existing facilities will be met and that the likely covenants on a new arrangement will also be achieved. On this basis the directors have concluded that it is appropriate to prepare these accounts on the going concern basis.

Directors

Directors who are currently serving or who have served during the year are as follows

N Glen

D A J Williams

N Kennedy

Dividends

The directors do not propose a dividend for 2010 (2009 £nil)

Environmental policy

The company's environmental policy is to conduct its business in a manner which is favourable to the environment and meets the operational demands of the company whilst securing the resources needed for the future. Areas that continue to be targeted include improved efficiency in haulage operations and improved energy and packaging utilisation across the company.

Employee consultation

The company uses a variety of ways to provide employees with relevant information regarding all aspects of the company's operations affecting their employment. These include team briefings, consultative meetings, the circulation of written material (including an in-house newsletter) and access to the company intranet. The intranet has been further enhanced during the year and includes a wealth of information and material to both inform staff and enable them to be more effective in their employment.

Safety awareness is promoted through the issue of policies and procedures, health and safety risk assessments and the introduction of safe systems of work where appropriate. Information on pension matters is provided individually to employees.

MILK LINK PROCESSING LIMITED

DIRECTORS' REPORT

Employment of disabled persons

The company gives full and fair consideration to applications for employment from disabled persons. Where practicable, the company will make reasonable adjustments to ensure that disabled applicants or employees can carry out their duties. Where existing staff become disabled it is policy to provide continuing employment, wherever practicable, under normal terms and conditions. It is company policy to provide training, career development and promotion to disabled employees based upon their aptitude, skills and abilities.

Creditors payment policy

It is the company's policy to agree payment terms with suppliers and to always make payment in accordance with those terms to the extent practicable. At 3 April 2010, the number of days' purchases outstanding was 36 (2009 42).

Political and charitable donations

Donations to charitable organisations amounted to £1,377 (2009 £1,040). There were no political donations in the current or prior year.

Financial risk management objectives and policies

The principal treasury risks faced by the company are liquidity and interest rates. The anticipated borrowing requirements of the company are ascertained by reference to a detailed annual budgeting process and high level long term plan. The annual budget and concomitant borrowings are subject to Board review and approval. The figures are then discussed and agreed with both our bankers and independent professional advisors. A mixture of long term, medium term and short term debt is used at both fixed and floating interest rates. There is a very small net exposure to the Euro. Company policy is to cover this as required with forward exchange contracts. Monitoring of actual performance against plan takes place on a regular basis and any remedial actions are taken as necessary. Compliance with company policies are monitored by the Audit Committee.

Auditors

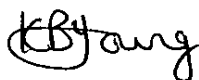
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board



K Young
Company Secretary
20 May 2010

MILK LINK PROCESSING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MILK LINK PROCESSING LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 3 April 2010

	Note	2010 £'000	2009 £'000
Turnover	1	116,623	137,678
Cost of sales		(88,603)	(98,235)
Gross profit		28,020	39,443
Other operating income		-	315
Other operating expenses		(24,030)	(38,346)
Operating exceptional items	2	(3,225)	(2,607)
Total operating expenses		(27,255)	(40,953)
Loss on disposal of fixed assets	2	-	(25)
Operating profit on ordinary activities before operating exceptional items		3,990	1,387
Operating exceptional items	2	(3,225)	(2,607)
Operating profit/(loss) on ordinary activities before interest		765	(1,220)
Exceptional items regarding discontinued operations	3	-	(9,874)
Interest payable and similar charges	6	(335)	(450)
Interest receivable and similar income		-	632
Profit/(loss) on ordinary activities before taxation	2	430	(10,912)
Tax credit on profit/(loss) on ordinary activities	7	728	985
Profit/(loss) for the financial year	21	1,158	(9,927)

The accompanying accounting policies and notes form an integral part of these financial statements

All of the activities of the company are classed as continuing

MILK LINK PROCESSING LIMITED

OTHER PRIMARY STATEMENTS

For the year ended 3 April 2010

Statement of total recognised gains and losses

	2010	2009
	£'000	£'000
Profit/(loss) for the financial year	1,158	(9,927)
Property revaluation in the period	-	658
Total recognised gains and losses related to the year	1,158	(9,269)

Note of historical cost profits and losses

	2010	2009
	£'000	£'000
Reported profit/(loss) on ordinary activities before taxation	430	(10,912)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	36	36
Historical cost profit/(loss) on ordinary activities before taxation	466	(10,876)
Historical cost profit/(loss) on ordinary activities after taxation	1,194	(9,891)

MILK LINK PROCESSING LIMITED

BALANCE SHEET

As at 3 April 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible fixed assets	8	6,726	7,266
Tangible fixed assets	9	<u>9,981</u>	<u>7,692</u>
		16,707	14,958
Current assets			
Stocks	11	4,834	7,099
Debtors	12	46,125	42,469
Cash at bank and in hand	13	<u>2,192</u>	<u>1,840</u>
		53,151	51,408
Creditors: amounts falling due within one year	14	<u>(75,332)</u>	<u>(72,748)</u>
Net current liabilities		<u>(22,181)</u>	<u>(21,340)</u>
Total assets less current liabilities		(5,474)	(6,382)
Creditors: amounts falling due after one year	15	<u>(7)</u>	<u>(257)</u>
Net assets		<u>(5,481)</u>	<u>(6,639)</u>
Capital and reserves			
Share capital	20	1	1
Share premium	21	19,999	19,999
Revaluation reserve	21	622	658
Profit and loss account	21	<u>(26,103)</u>	<u>(27,297)</u>
Shareholder's funds	21	<u>(5,481)</u>	<u>(6,639)</u>

The financial statements of Milk Link Processing Limited, registered number 04341233, were approved by the Board of Directors on 20 May 2010 and were signed on its behalf by



D A J Williams
Director

The accompanying accounting policies and notes form an integral part of these financial statements

MILK LINK PROCESSING LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 3 April 2010

a. Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with applicable UK Generally Accepted Accounting Practice. The accounting policies have been applied consistently from last year and remain the most appropriate.

b. Basis of preparation

The financial statements have been prepared under a going concern basis which assumes that the company will continue in existence for the foreseeable future.

c. Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report. The business review describes the financial position of the company, its cash flows, liquidity position and borrowing facilities, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk.

The directors consider the company's continuing requirement for bank facilities and exposure to credit markets is material, but believe that, having reviewed the budget for next year, it will continue to operate within its covenants in the coming year. For these reasons the accounts continue to be prepared on the going concern basis.

d. Cash flow

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Milk Link Limited and its cash flows are included within the consolidated cash flow statement of that company.

e. Goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life. The company undertakes impairment reviews to assess the recoverability of the carrying value of goodwill where there is an indication that an impairment review is required.

All goodwill is amortised over a useful economic life of 20 years.

f. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the costs or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold properties	15-40	years
Short leasehold properties	Over the term of the lease	
Plant and machinery	3 - 15	years
Fixtures, fittings and equipment	2 - 5	years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

g. Revaluation of properties

A full professional valuation of individual freehold properties is carried out every five years, an interim valuation every three years and a review each year. The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previous recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

MILK LINK PROCESSING LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 3 April 2010

h. Investments

Investments are included at cost subject to impairment reviews

i. Stocks

Stocks are stated at the lower of cost or net realisable value. Cost includes materials, direct labour, capitalised interest and an attributable proportion of overheads based on normal levels of activity

j. Taxation

Current Tax

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

k. Turnover

Turnover represents the amount receivable, net of VAT and trade discounts, for sales of milk, processed dairy products and related support services. It is recognised when the risks and rewards of ownership pass to the customer, which is considered to be the point of despatch

l. Defined contribution pension scheme

The pension costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period

m. Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account

n. Leased assets

Assets held under finance leases are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and are charged to the profit and loss account on a straight-line basis over the period of the lease term

o. Liquid resources

Milk Link Processing Limited considers its short-term (available within 24 hours) deposits on money markets, and supporting accounts, as liquid resources

p. Government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful lives of the assets to which they relate

MILK LINK PROCESSING LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 3 April 2010

q. Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

The capitalised costs of raising finance from bank borrowings have been set off against the liabilities to which they relate in accordance with FRS 4.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability, this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

1. Turnover

Turnover is wholly attributable to the supply of processed dairy products and related support services

All turnover arose within the United Kingdom, except for £3,707,000 (2009 £2,975,000), which arose from sales to Europe and £nil (2009 £5,000) which arose from sales to Rest of World

2. Profit/(loss) on ordinary activities before taxation

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before taxation arises after charging/(crediting)		
Auditors' remuneration		
- audit of the company's annual accounts	26	37
- taxation services	7	6
Goodwill amortisation	540	579
Depreciation - owned assets	1,893	2,080
Depreciation - leased assets	-	107
Loss on sale of tangible fixed assets	-	25
Exceptional restructuring costs	3,225	2,607
Operating lease rentals		
- land and buildings	354	286
- plant and machinery	1,016	1,460
Realised loss on foreign exchange translation	14	-

Exceptional restructuring costs in 2010 relate to the strategic refocusing of the long life and extended shelf life milk and cream business of (£3,225,000). Exceptional restructuring costs include asset write off of £710,000, redundancy costs of £1,959,000 and other costs of £556,000. Exceptional restructuring costs of £2,607,000 in the prior year relate to the impairment of tangible fixed assets at Kirkcudbright.

3. Exceptional item regarding discontinued operations

	2010 £'000	2009 £'000
Loss on sale of operation	-	(11,260)
Profit on sale of investment	-	1,386
	-	(9,874)

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

4. Directors' remuneration

	2010 £'000	2009 £'000
Emoluments paid to Executive Directors	1,175	869
Pension contributions	144	136
	<u>1,319</u>	<u>1,005</u>
Amounts set out above include remuneration in respect of the highest paid director as follows		
Emoluments paid	568	471
Total pension contributions	42	42
Pension scheme benefits in respect of the highest paid director have been accrued as follows		
Accrued pension under defined benefit scheme at year end	-	-

Of the total emoluments disclosed above, £878,000 (2009 £810,000) has been recharged to other subsidiaries within the group

In 2010 one Director was a member of a defined benefit pension scheme (2009 one)

5. Staff Costs

	2010 £'000	2009 £'000
Wages and salaries	12,029	15,603
Social security costs	1,012	1,230
Other pension costs	631	1,181
	<u>13,672</u>	<u>18,014</u>
Average number of employees:		
	No.	No
Production	213	346
Administration	71	108
Total	<u>284</u>	<u>454</u>

6. Interest payable and similar charges

	2010 £'000	2009 £'000
Bank interest payable	132	288
Amortisation of finance costs capitalised	202	160
Finance charges in respect of finance leases	1	2
	<u>335</u>	<u>450</u>

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

7. Tax credit on profit/(loss) on ordinary activities

	2010 £'000	2009 £'000
Over provision in respect of prior year (Group relief payment received)	-	543
Tax credit for current year (payment received for surrender of Group relief)	(274)	(762)
Total Current tax	(274)	(219)
Deferred tax	(454)	(766)
Total corporation tax credit	(728)	(985)

The company has unrelieved tax losses available to offset against future trading profits of £nil (2009 £nil)

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before tax	430	(10,912)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	120	(3,055)
Expenses not deductible for tax purposes	71	36
Differences between depreciation and capital allowances	(465)	2,858
Movement in provisions	-	(70)
Loss on sale of investment	-	(406)
Group relief surrendered	274	762
Payment receivable for Group relief	(274)	(762)
Over provision in respect of prior year	-	543
Utilisation of tax losses	-	(125)
	(274)	(219)

8. Intangible fixed assets

	Purchased goodwill £'000
Cost:	
At 5 April 2009 and 3 April 2010	10,597
Amortisation:	
At 5 April 2009	3,331
Charge in the period	540
At 3 April 2010	3,871
Net book value:	
At 3 April 2010	6,726
At 4 April 2009	7,266

Purchased goodwill relates to the acquisition of the Ingredients and Long Life Milk business from Express Dairies in 2002

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

9. Tangible fixed assets

	Freehold property	Leasehold property	Plant & machinery	Fixtures, fittings and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 5 April 2009	1,819	724	16,362	4,025	775	23,705
Additions	-	-	-	-	4,981	4,981
Transfers	-	13	1,041	973	(2,027)	-
Disposals	-	-	-	-	-	-
At 3 April 2010	1,819	737	17,403	4,998	3,729	28,686
Depreciation:						
At 5 April 2009	756	78	13,059	2,120	-	16,013
Impairments	242	-	557	-	-	799
Disposals	-	-	-	-	-	-
Charge for year	130	44	1,030	689	-	1,893
At 3 April 2010	1,128	122	14,646	2,809	-	18,705
Net Book Value:						
At 3 April 2010	691	615	2,757	2,189	3,729	9,981
At 4 April 2009	1,063	646	3,303	1,905	775	7,692

At 4 April 2009, the company revalued its freehold property, increasing book valuation by £658,000. A full independent valuation was undertaken by King Sturge Chartered Surveyors, in accordance with the principles adopted by the Royal Institute of Chartered Surveyors (RICS). In line with FRS 15 'Tangible Fixed Assets' following a review in the current year by the Directors, the valuations have not been updated on the basis that this review has not indicated any material change in value.

The figures stated above include assets held under finance leases as follows:

	Plant & machinery
	£'000
Cost at 5 April 2009 and 3 April 2010	1,663
Depreciation at 3 April 2010	1,609
Depreciation at 5 April 2009	1,287
Net book value at 3 April 2010	54
Net book value at 4 April 2009	376

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

10. Investments

At 3 April 2010, the Company held 20% or more of the equity and voting rights of the following companies

Principal Subsidiaries	Class of share held	Proportion held	Nature of business
Tanner Foods Limited	Ordinary	100%	Dormant
Milk Link (Crediton No 2) Limited	Ordinary	100%	Property company
Milk Link (Staplemead No 2) Limited	Ordinary	100%	Dormant

A full list of subsidiaries, including all dormant companies, can be obtained from the registered office address

All subsidiary undertakings prepared accounts to 3 April 2010 and are registered in England and Wales

11. Stocks

	2010	2009
	£'000	£'000
Raw materials and consumables	2,027	2,814
Finished goods	2,807	4,285
	<u>4,834</u>	<u>7,099</u>

The Directors consider that the difference between replacement value and historical cost of stocks is not significant

12. Debtors

	2010	2009
	£'000	£'000
Trade debtors	8,381	13,767
Amounts owed by group undertakings	35,406	24,292
Other debtors	710	2,883
Prepayments and accrued income	408	761
Deferred tax asset	1,220	766
	<u>46,125</u>	<u>42,469</u>

Included in 'Other debtors' above is £nil (2009 £250,000), which is due for repayment in more than one year

Other debtors includes deferred consideration of £250,000 which arose on the disposal of Staplemead in 2008 and which is receivable in September 2010

13. Cash at bank and in hand

	2010	2009
	£'000	£'000
Cash	2,192	1,840
	<u>2,192</u>	<u>1,840</u>

These cash balances are all available immediately

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

14. Creditors: amounts falling due within one year

	Note	2010 £'000	2009 £'000
Bank loans	16	9,008	10,317
Amounts due under finance leases		62	40
Trade creditors		4,063	5,535
Amounts owed to group undertakings		56,833	51,111
Other creditors		534	29
Taxation and social security		327	403
Accruals and deferred income		4,499	5,240
Pension creditor		6	74
		<u>75,332</u>	<u>72,748</u>

15. Creditors: amounts falling due after one year

	Note	2010 £'000	2009 £'000
Bank loans	16	-	147
Amounts due under finance leases		7	110
		<u>7</u>	<u>257</u>

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

16. Borrowings

Borrowings are repayable as follows

	2010 £'000	2009 £'000
Within one year:		
Bank and other borrowings	9,008	10,317
Finance leases	62	40
After one and within two years:		
Bank and other borrowings	-	147
Finance leases	7	40
After two and within five years.		
Finance leases	-	70
	<u>9,077</u>	<u>10,614</u>

Bank and other borrowings represent the outstanding amounts due for repayment under the following facilities

2010	Drawn £'000	Facility £'000	Undrawn £'000	Undrawn %
Debtor facility	7,787	17,500	9,713	55.5%
Property loan	147	147	-	-
Stock loan	1,327	7,000	5,673	81.0%
Capitalised finance costs	(253)	(253)	-	-
	<u>9,008</u>	<u>24,394</u>	<u>15,386</u>	<u>63.1%</u>

A £7,787,000 debtor facility that is repayable within one year under facilities which expire within one year. This amount is secured on the book debts of the company.

A £147,000 property loan facility which is repayable in equal instalments over 6 months from April 2010. This amount is secured on the freehold property of Milk Link Processing.

A £1,327,000 stock loan facility is repayable within one year under facilities that expire within one year. This amount is secured on the book stocks of the company.

Amounts due under finance leases are secured upon the assets to which the leases relate, in both 2010 and 2009.

The capitalised costs of raising finance (£253,000 at 3 April 2010) have been set off against the liabilities to which they relate in accordance with FRS 4.

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

17. Financial instruments

2010	Fixed £'000	Floating £'000	Total £'000
Financial liabilities	69	9,008	9,077

2009	Fixed £'000	Floating £'000	Total £'000
Financial liabilities	150	10,464	10,614

The floating rate financial liabilities bear interest rates based on LIBOR and the Bank of England base rate

The fixed rate borrowings comprise

Finance leases with fixed interest rates set at the time of commencement, repayable on variable terms ending no later than 1 March 2012 (£69,000)

The company has undrawn committed borrowing facilities at 3 April 2010 in respect of which all conditions precedent have been met as follows

	2010 £'000	2009 £'000
Expiring in one year or less	15,386	14,119

18. Obligations under operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2010 £'000	2009 £'000
Operating leases which expire:		
In respect of land and buildings		
within one year	205	-
in two to five years	-	205
in over five years	149	112
	<u>354</u>	<u>317</u>
In respect of other leases		
within one year	182	353
in two to five years	1,011	100
	<u>1,193</u>	<u>453</u>

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

19. Deferred taxation

	Provided		Unprovided	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,220	766	-	863
Other timing differences	-	-	-	21
	<u>1,220</u>	<u>766</u>	<u>-</u>	<u>884</u>

In accordance with the company's policies the deferred tax asset in the prior year of £884,000 was not recognised due to uncertainty over recoverability

20. Share capital

	2010	2009
	£	£
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>
	2010	2009
	£	£
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>

21. Reconciliation of shareholder's funds and movement on reserves

	Ordinary share capital	Share premium account	Revaluation reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 29 March 2008	1	19,999	-	(17,370)	2,630
Retained loss for the period	-	-	-	(9,927)	(9,927)
Property revaluation in the period	-	-	658	-	658
Balance at 4 April 2009	<u>1</u>	<u>19,999</u>	<u>658</u>	<u>(27,297)</u>	<u>(6,639)</u>
Retained profit for the period	-	-	-	1,158	1,158
Realised revaluation reserve	-	-	(36)	36	-
Balance at 3 April 2010	<u>1</u>	<u>19,999</u>	<u>622</u>	<u>(26,103)</u>	<u>(5,481)</u>

MILK LINK PROCESSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 3 April 2010

22. Capital Commitments

	2010	2009
	£'000	£'000
Contracted for but not provided	<u>238</u>	<u>507</u>

23. Contingent liabilities

The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. The Directors do not anticipate that the outcome of the proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Company's financial position.

24. Related party transactions

The company is a wholly owned subsidiary of Milk Link Limited and has accordingly taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with group entities who are also wholly owned by the group.

25. Ultimate parent company and controlling party

The company's immediate parent undertaking is Milk Link Holdings Limited. Its ultimate parent undertaking and controlling party is Milk Link Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Milk Link Limited. The consolidated financial statements are available from Milk Link Limited, 3120 Great Western Court, Hunts Ground Road, Stoke Gifford, Bristol BS34 8HP.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS' OF MILK LINK PROCESSING LIMITED

We have audited the financial statements of Milk Link Processing Limited for the year ended 3 April 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet, the Principal Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 April 2010 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Mark Mullins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
Reading, United Kingdom
20 May 2010