Chauceer Foods Limited

Report and Financial Statements

31 December 2007

Registered No 1620320

Directors

P N G Smith
K Lovett
P Sibbald
K Smith
S Boyd (appointed 15 January 2008)
C Cartwright (appointed 15 January 2008)

Secretary

C Cartwright

Auditors

Ernst & Young LLP
PO Box 3
Lowgate House
Lowgate
Hull
HU1 1JJ

Bankers

NatWest
P O Box 944
34 King Edward Street
Hull
HU1 3YN

Solicitors

Langleys
Queens House
Micklegate
York
YO1 6WG

Registered Office

Brighton Street Industrial Estate
Freightliner Road
Hull
HU3 4UN

Directors' report

The directors present their report and the financial statements for the 9 month period ended 31 December 2007

Results and dividends

The profit for the period, after taxation, amounted to £8,640,000 (Year to March 2007 loss of £3,132,000) No dividend is recommended

Principal activities and review of business developments

The principal activity of the Company during the period was the manufacture of a range of bread related products and the freeze drying of fresh fruit products for sale to customers

Year ended 31 December 2007 was a difficult year The freeze-dried market remains highly competitive with continued price pressures from customers as well as significant upward pressure in raw material costs

The UK bread business remained stable Further growth in this mature market is expected to come from new snack based products

The directors are pleased with the results in the year and are cautiously optimistic about the future

Principal risks and uncertainties

Strategic, financial, commercial, operational, social, environmental and ethical risks are all considered as part of the Company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss

Although at present there are no immediate risks considered likely to have a significant impact on the short or long term value of the group, the principal risks and uncertainties faced by the Company, in line with the rest of the food manufacturing sector, are customer retention, raw material supply, food quality and hygiene, margins, profitability and competition

Key performance indicators

The company's key performance indicators and their performance during the period were as follows

	9 months ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Turnover	22,014	25,795
Operating loss before exceptional items	(1,189)	(1,663)
Profit/ (loss) for the financial period	8,640	(3,132)
Shareholders' funds	11,471	2,831

Research and development activities

Product improvement and development remains important in order to satisfy customer and market demands and is an integral part of the Group's marketing strategy

Directors' report

Financial instruments

Financial instruments are managed at Group level The Group manages its interest rate exposure through interest swaps

The Group manages its foreign exchange risk through maintaining as far as possible a balanced portfolio of currencies Due to the global nature of the Group, there is a significant degree of natural hedging arising from normal trading operations Forward foreign exchange swaps are arranged where there are recognised imbalances in future currency flows The Group does not engage in foreign currency speculation The company's accounting policy for foreign currencies is set out in note 1 to the accounts

The Group has policies to manage price, credit, liquidity and cash flow risk Price and credit risk are managed by contracts with customers and suppliers The group aims to mitigate liquidity risk by managing cash generation within each operation Cash flow risk is managed by the use of foreign exchange and interest derivatives as explained above

Directors

The directors who served during the year were

P N G Smith
K Lovett
P Sibbald
K Smith
P Townend (resigned 31 December 2007)
S Boyd (appointed 15 January 2008)
C Cartwright (appointed 15 January 2008)

Employee involvement and employment of disabled persons

Within the grounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the group and are of interest and concern to them as employees The Company's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Company's operations Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex, religion, marital or disabled status Full consideration is given to applications for employment by and the continuing employment, training and career development of disabled people

Directors' report

Statement of directors' responsibilities in respect of the accounts

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) The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

Statement of directors' responsibilities in respect of the accounts (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions

Auditors

In accordance with s385 of the Companies Act 1985, a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirmations that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board

P N G Smith
Director

19 June 2008

ERNST & YOUNG

Independent auditors' report

to the members of Chaucer Foods Limited

We have audited the company's financial statements for the 9 month period ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

ERNST & YOUNG

Independent auditors' report

to the members of Chaucer Foods Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP
Registered auditor

24 July 2008

Profit and loss account

for the period ended 31 December 2007

	Notes	*9 months ended 31 December 2007 £000*	*Year ended 31 March 2007 £000*
Turnover	2	22,014	25,795
Cost of sales		(18,695)	(22,532)
Gross profit		3,319	3,263
Distribution costs		(1,400)	(2,022)
Administrative expenses		(3,108)	(2,904)
Exceptional items – onerous lease provision		-	(488)
Operating loss	3,4,5,6	(1,189)	(2,151)
Investment income – dividends from subsidiary companies		10,691	-
Interest payable and similar charges	7	(495)	(852)
Profit/ (loss) on ordinary activities before taxation		9,007	(3,003)
Taxation	8	(367)	(129)
Profit/ (loss) retained for the financial period		8,640	(3,132)

Statement of total recognised gains and losses

for the period ended 31 December 2007

There were no recognised gains or losses other than the profit for the period ended 31 December 2007 of £8,640,000 (year ended March 2007 – loss of £3,132,000)

Balance sheet
at 31 December 2007

	Notes	31 December 2007 £000	31 March 2007 £000
Fixed assets			
Tangible fixed assets	9	984	1,320
Investments	10	10,293	10,293
		11,277	11,613
Current assets			
Stocks	11	2,453	2,946
Debtors	12	10,996	3,462
Cash at bank and in hand		1,505	5,961
		14,954	12,369
Creditors amounts falling due within one year	13	(13,404)	(19,804)
Net current assets/ (liabilities)		1,550	(7,435)
Total assets less current liabilities		12,827	4,178
Provisions for liabilities and charges	14	(1,356)	(1,347)
Net assets		11,471	2,831
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account	16	11,470	2,830
	17	11,471	2,831

P N G Smith
Director

19 June 2008

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation of financial statements

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

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985 These financial statements therefore present information about the company as an individual undertaking and not about its group

Certain comparatives in the profit and loss account have been reclassified in line with the current year

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the groups that the company is a wholly owned subsidiary and its parent prepares consolidated financial statements

Revenue recognition policy

The Company recognises revenue from sales of products at the fair value of consideration received upon shipment or delivery, depending on when title and risk of loss are transferred under specific contractual terms of each sale, which may vary from customer to customer

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it has occurred

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold buildings	2% straight line
Plant and equipment	5-15% straight line
Motor vehicles	25% straight line

Freehold land is not depreciated

Finance leases and hire purchase

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding

Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term

Investments

Investments are included at cost less provision for permanent diminution in value

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pensions

The company makes payments to externally managed personal pension plans for certain individuals and the pension charge in the profit and loss account represents the amounts payable by the company to these plans in respect of the year

Notes to the financial statements

at 31 December 2007

2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts Turnover is attributable to one continuing activity, the manufacture of food ingredients Turnover is analysed by geographical market as follows

	9 months ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
United Kingdom	3,678	5,117
European Union	2,017	2,830
United States of America	15,531	16,944
Other	788	904
Total	22,014	25,795

3. Operating costs

The operating loss is stated after charging

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Depreciation of tangible fixed assets		
- owned by the company	436	365
Operating rentals		
- plant and machinery	51	103
- other	134	188
Management charges	228	432

4. Directors' emoluments and benefits

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Aggregate directors' emoluments	338	532
Compensation for loss of office	-	44
Contributions to money purchase pension schemes	39	24

The number of directors accruing benefits under pension schemes was

	9 month ended 31 December 2007 No	*Year ended 31 March 2007 No*
Money purchase schemes	4	5

Notes to the financial statements

at 31 December 2007

4. Directors' emoluments and benefits (continued)

The highest paid director received emoluments and benefits as follows

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Emoluments	160	211
Contributions to money purchase pension schemes	30	6

5. Auditors Remuneration

The remuneration of the auditors is further analysed as follows

	9 month ended 31 December 2007	*Year ended 31 March 2007*
	£000	£000
Audit of the financial statements	50	45
Other fees to auditors – taxation services	130	55
	130	55
	180	100

6. Staff costs

Staff costs, including directors' emoluments, were as follows

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Wages and salaries	2,224	3,221
Social security costs	186	303
Other pension costs	55	63
	2,465	3,587

Notes to the financial statements

at 31 December 2007

6. Staff costs (continued)

The average monthly number of employees, including executive directors, during the year was as follows

	9 month ended 31 December 2007 No	*Year ended 31 March 2007 No*
Production	107	124
Administration	31	22
	138	146

7. Interest payable and similar charges

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Bank overdrafts	177	247
Inter company interest	246	534
Unwinding of discount on provisions	67	68
Other interest payable	5	3
	495	852

8. Taxation

a) Analysis of tax charge for the year

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
UK corporation tax		
Group relief payable	367	-
Adjustments in respect of prior periods	-	85
Total current tax	367	85
Deferred tax		
Changes in deferred tax balances arising from		
Origination or reversal of timing differences	-	161
Adjustment in respect of prior periods	-	(117)
Tax on profit on ordinary activities	367	129

Notes to the financial statements

at 31 December 2007

8. Taxation (continued)

(b) Factors affecting the tax charge for period

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30% The differences are explained below

	9 month ended 31 December 2007 £000	*Year ended 31 March 2007 £000*
Profit / (loss) on ordinary activities before tax	9,006	(3,003)
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 - 30%)	2,702	(901)
Effects of		
Expenses not deductible for tax purposes	11	56
Depreciation in excess of capital allowances	135	106
Short-term timing differences	81	311
Adjustments to tax charge in respect of previous periods	-	85
Underlying tax	(2,562)	-
Unrelieved tax losses carried forward	-	428
Current tax charge for the period	367	85

With effect from April 2008 the main rate of tax corporation tax was reduced from 30% to 28% The financial effect of this charge is still being assessed

Potential deferred tax assets of £1,201,000 (March 2007 - £1,006,000) have not been recognised in respect of tax losses carried forward and other timing differences that may be available for offset against future profits These unprovided amounts are calculated at 28% following the reduction of the main rate of corporation tax referred to above

Notes to the financial statements

at 31 December 2007

9. Tangible fixed assets

	Freehold Land and buildings	*Plant and equipment and motor vehicles*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 April 2007	375	6,300	6,675
Additions	-	138	138
Disposals	-	(112)	(112)
At 31 December 2007	375	6,326	6,701
Depreciation			
At 1 April 2007	44	5,311	5,355
Charge for year	3	433	436
Disposals	-	(74)	(74)
At 31 December 2007	47	5,670	5,717
Net book amount			
At 31 December 2007	328	656	984
At 31 March 2007	331	989	1,320

10. Fixed asset investments

	Shares in subsidiary undertakings
	£000
Cost	
At 1 April 2007 and 31 December 2007	10,293

Investments include investments in subsidiaries, Chaucer Foods SAS, an ingredient manufacturing company incorporated in France, and Chaucer Foods Hong Kong Limited, an intermediate holding company incorporated in Hong Kong with a year end of 31 December and owner of Chaucer Foods (Quigdao) Company Limited The investment in Chaucer Foods SAS and Chaucer Foods Hong Kong Limited is 100% of the issued ordinary share capital and voting rights

Notes to the financial statements

at 31 December 2007

11. Stocks

	31 December 2007 £000	31 March 2007 £000
Raw materials	247	296
Finished goods	2,206	2,650
	2,453	2,946

The difference between purchase price or production cost of stocks and their replacement cost is not material

12. Debtors

	31 December 2007 £000	31 March 2007 £000
Trade debtors	3,272	3,280
Other debtors	199	182
Amounts owed to group undertakings	7,525	-
	10,996	3,462

13. Creditors: amounts falling due within one year

	9 month ended 31 December 2007 £000	Year ended 31 March 2007 £000
Bank overdraft	4,310	8,493
Trade creditors	1,000	1,078
Amounts owed to group undertakings	7,012	9,647
Corporation tax	-	-
Other tax and social security	100	104
Other creditors	76	26
Accruals and deferred income	906	456
	13,404	19,804

The bank overdraft is secured by a fixed and floating charge over the assets of the company

Notes to the financial statements

at 31 December 2007

14. Provisions for liabilities and charges

	Onerous lease £000
At 1 April 2007	1,347
Provided – unwinding of discount	67
Utilised/released	(58)
At 31 December 2007	1,356

The onerous lease provision relates to premises leased at Marshwood Business Park in Canterbury The lease expires on 10 March 2022

15. Share capital

	Authorised December 2007 and March 2007 No	Allotted, called up and fully paid Dec 2007 and March 2007 £
Ordinary shares of £1 each	1,000	1,000

16. Profit and loss account

	£000
At 1 April 2007	2,830
Profit for the financial year	8,640
At 31 December 2007	11,470

17. Reconciliation of movements in equity shareholders' funds

	9 month ended 31 December 2007 £000	Year ended 31 March 2007 £000
Opening shareholders' funds	2,831	5,963
Profit/ (loss) for the financial year	8,640	(3,132)
Closing shareholders' funds	11,471	2,831

Notes to the financial statements

at 31 December 2007

18. Pension contributions

The Company makes payments into externally managed personal pension plans for certain individuals The assets of these plans are held separately from those of the company in independently administered funds The unpaid contributions at the year end amount to £26,000 (2007 £5,000)

19. Other commitments

Annual commitments on operating leases by expiry date are as follows

	December 2007		*March 2007*	
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Expiry date				
Within one year	-	13	-	55
Between one and five years	22	44	22	26
After more than five years	252	-	259	-

20. Contingent liabilities

The Company is party to a guarantee and set all agreement in respect of its own and all other group company bank loans and balances

21. Related party transactions

As a 100% owned subsidiary of Broomco (3554) Limited the Company qualifies for the exemption from disclosing transactions with other group companies

22. Parent undertaking and controlling party

The parent undertaking of the group of undertakings for which consolidated accounts are drawn up of which the Company is a member is Broomco (3554) Limited, registered in England and Wales Broomco (3554) Limited is also the Company's controlling party Copies of the accounts of Broomco (3554) Limited are available from Brighton Street Industrial Estate, Freightliner Road, Hull, HU3 4UN