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The Chitty Food Group Limited

Report and Financial Statements

Year Ended

30 October 2009

Company Number 2077762

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The Chitty Food Group Limited

Report and financial statements for the year ended 30 October 2009

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Director

A R Chitty

Secretary and registered office

Z C Hollins, Grafton House, 15 Grafton Road, Worthing, West Sussex BN11 1QR

Company number

2077762

Auditors

BDO LLP, Emerald House, East Street, Epsom, Surrey, KT17 1HS

The Chitty Food Group Limited

Report of the director for the year ended 30 October 2009

The director presents his report together with the audited financial statements for the year ended 30 October 2009

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year

Interim dividends of 4 47p per share were paid to ordinary shareholders during the year The director does not recommend the payment of a final dividend

Principal activities, review of business and future developments

The principal activity of the group during the year was the integrated processing of meat

On 10 August 2009, an administrator was appointed in respect of Trackback Food Services Limited This action did not significantly affect the ongoing trade or capacity of the group

In addition, on 13 October 2009 the Guildford fixed assets and property lease relating to Chitty Wholesale Limited and Chitty Guildford Processing Limited were sold to a third party and the employees of these businesses were transferred to the acquirer under TUPE arrangements At this time the Group ceased its activities as an abattoir, but continued to process and distribute foods from its Horndean plant, and trading of meats through its Dawkins subsidiary

The effects of these changes was a reduction in activity across the group but with a continuation of processing and distribution activities for existing customers

Trading Results and financial position

With the operational and general economic challenges, turnover fell by 3 7% in the year, with a reduction in gross margin and a loss for the year, significantly increased by the exceptional loss on sale of fixed assets The resulting loss of £3 9 million reduced net assets to £1 77m at the year end

Post balance sheet events

Following the year end the group demerged its Dawkins International Limited subsidiary company

In Spring 2010, the group lost the customer that accounted for the majority of its remaining business As a result of this, the director decided to undertake a controlled winding up of the business and all trading had effectively ceased by June 2010 The assets, trading stock and debtors have been realised and collected and outstanding creditors have been settled The director believes the group remains in a position where it can reach a full and final settlement with all of its creditors

Key performance indicators

In addition to turnover and gross margin, operational KPI's (including unit cost, customer service, and technical/quality) have been developed, and are tracked weekly Key personnel are incentivised against performance defined by these KPI's

Monitoring risk and financial instruments

The Chitty Food Group Board regularly reviews the commercial and financial performance of the business An annual financial budget is prepared in some detail, at company level, drawing on the experience of the commercial and operational teams Monthly management accounts are prepared and reviewed in similar detail, as well as regular forward projections of activity, profitability and liquidity

The group's policy in relation to credit risk is to apply credit checks and limits to new customers, strict payment terms, use of commercial insurance, and close monitoring of payment patterns

The Chitty Food Group Limited

Report of the director for the year ended 30 October 2009 (continued)

The company continues to finance operations within the group from business operations and bank facilities, which are monitored closely by management to ensure interest rate risk is minimised

Research and development activities

The group continues to invest in research and development. The costs have been written off as incurred.

Charitable and political contributions

During the year the group made charitable contributions of £Nil. There were no political contributions.

Employee involvement

During the year members of the management team discussed matters of current interest and concern to the business, as they arose, with members of staff and employees representatives.

Policy and practice on the payment of creditors

It is the company's objective to obtain the best possible terms for all business and adhere to the terms agreed. The current policy is to ensure that creditors are paid within 28 days.

Directors

The director of the company during the year and their interest in the ordinary share capital of the company were

	Ordinary Shares of £1 each	
	30 October 2009	31 October 2008
A R Chitty	1,500,000	1,500,000
M Race (resigned 31 December 2009)	-	-

The Chitty Food Group Limited

Report of the director for the year ended 30 October 2009 (*continued*)

Director's responsibilities

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 director is required to

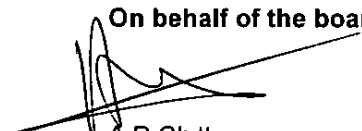
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. The director is 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.

Auditors

The current director has taken all the steps that he ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

On behalf of the board



A R Chitty
Director

Date 14 September 2010

The Chitty Food Group Limited

Independent auditor's report

TO THE MEMBERS OF THE CHITTY FOOD GROUP LIMITED

We have audited the financial statements of The Chitty Food Group Limited for the year ended 30 October 2009 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of director's responsibilities, the director is 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 group's and the parent 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 group's and the parent company's affairs as at 30 October 2009 and of the group's loss 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Chitty Food Group Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP

*David Eagle (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom
United Kingdom*

Date 14 September 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

The Chitty Food Group Limited

Consolidated profit and loss account for the year ended 30 October 2009

	Note	Continuing operations 2009 £	Discontinued operations 2009 £	Total 2009 £	Total 2008 £
Turnover	3	46,851,999	20,366,033	67,218,032	69,790,090
Cost of sales		42,152,805	17,774,423	59,927,228	60,805,894
Gross profit		4,699,194	2,591,610	7,290,804	8,984,196
Administrative expenses- including exceptional costs of £Nil (2008 - £1,659,764)		6,122,903	5,277,886	11,400,789	12,419,464
		(1,423,709)	(2,686,276)	(4,109,985)	(3,435,268)
Other operating income - including exceptional income of £3,077,272 (2008 - £5,167,607)		200,000	2,877,272	3,077,272	5,167,607
Group operating (loss)/profit	4	(1,223,709)	190,996	(1,032,713)	1,732,339
Loss on disposal of operation		-	(150,247)	(150,247)	-
(Loss)/profit on disposal of fixed assets		-	(2,521,768)	(2,521,768)	518,606
(Loss)/profit on ordinary activities before interest and other income		(1,223,709)	(2,481,019)	(3,704,728)	2,250,945
Interest payable and similar charges	8			(157,817)	(244,691)
(Loss)/profit on ordinary activities before taxation				(3,862,545)	2,006,254
Taxation on (loss)/profit on ordinary activities	9			(6,805)	(343,711)
(Loss)/profit on ordinary activities after taxation				(3,869,350)	1,662,543
Minority interest				3,048	23,173
(Loss)/profit for the financial year	21			(3,872,398)	1,639,370

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 10 to 28 form part of these financial statements

The Chitty Food Group Limited

Consolidated balance sheet at 30 October 2009

Company number 2077762	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	13		1,239,719		6,324,181
Current assets					
Stocks	15	855,873		2,705,464	
Debtors	16	3,279,604		7,471,623	
Cash at bank and in hand		2,455		5,547	
		<u>4,137,932</u>		<u>10,182,634</u>	
Creditors: amounts falling due within one year	17	<u>3,444,713</u>		<u>10,052,880</u>	
Net current assets			<u>693,219</u>		<u>129,754</u>
Total assets less current liabilities			<u>1,932,938</u>		<u>6,453,935</u>
Creditors amounts falling due after more than one year	18		<u>161,174</u>		<u>378,109</u>
			<u>1,771,764</u>		<u>6,075,826</u>
Capital and reserves					
Called up share capital	20		1,500,000		1,500,000
Profit and loss account	21		156,234		4,423,232
Shareholders' funds	22		<u>1,656,234</u>		<u>5,923,232</u>
Minority interests			<u>115,530</u>		<u>152,594</u>
			<u>1,771,764</u>		<u>6,075,826</u>

The financial statements were approved by the director and authorised for issue on 14 September 2010


A R Chitty
Director

The notes on pages 10 to 28 form part of these financial statements

The Chitty Food Group Limited

Company balance sheet at 30 October 2009

<i>Company number 2077762</i>	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	13		119,218		143,247
Fixed asset investments	14		2,238,629		4,001,655
			<u>2,357,847</u>		<u>4,144,902</u>
Current assets					
Debtors	16	907,029		2,000,898	
Cash at bank and in hand		2,455		17,039	
		<u>909,484</u>		<u>2,017,937</u>	
Creditors' amounts falling due within one year	17	<u>3,988,258</u>		<u>3,660,355</u>	
Net current liabilities			<u>(3,078,774)</u>		<u>(1,642,418)</u>
Total assets less current liabilities			<u>(720,927)</u>		<u>2,502,484</u>
Creditors: amounts falling due after more than one year	18		49,673		61,911
			<u>(770,600)</u>		<u>2,440,573</u>
Capital and reserves					
Called up share capital	20		1,500,000		1,500,000
Other reserves	21		-		913,414
Profit and loss account	21		(2,270,600)		27,159
Shareholders' (deficit)/funds	22		<u>(770,600)</u>		<u>2,440,573</u>

The financial statements were approved by the director and authorised for issue on 14 September 2010


A R Chitty
Director

The notes on pages 10 to 28 form part of these financial statements

The Chitty Food Group Limited

Consolidated cashflow statement for the year ended 30 October 2009

	Note	2009 £	2009 £	2008 £	2008 £
Net cash inflow from operating activities	28		2,965,058		2,220,812
Returns on investments and servicing of finance					
Interest paid bank loans		(96,890)		(188,666)	
Interest paid other loans		(2,207)		(837)	
Interest paid hire purchase		(58,720)		(55,188)	
Net cash outflow from returns on investments and servicing of finance			(157,817)		(244,691)
Taxation					
Corporation tax paid			(142,718)		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,007,339)		(4,401,485)	
Receipts from sale of tangible fixed assets		2,090,895		1,079,009	
Net cash inflow/(outflow) from capital expenditure and financial investment			1,083,556		(3,322,476)
Acquisitions and disposals					
Purchase of business operations			(75,000)		-
Dividends paid			(394,600)		(67,000)
Cash inflow/(outflow) before use of financing			3,278,479		(1,413,355)
Financing					
Loans repaid		(10,000)		(10,000)	
Capital element of finance leases repaid		(69,374)		(307,479)	
Net cash outflow from financing			(79,374)		(317,479)
Increase/(Decrease) in cash	29		3,199,105		(1,730,834)

The notes on pages 10 to 28 form part of these financial statements

The Chitty Food Group Limited

Notes forming part of the financial statements for the year ended 30 October 2009

1 Accounting policies

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

The following principal accounting policies have been applied

Going concern basis of preparation

The group suffered a significant loss for the year but remained in a net assets position at the year end

Following the year end, the group demerged its Dawkins subsidiary and, in Spring 2010, the group lost the customer that accounted for the majority of its remaining business. As a result of this, the director decided to undertake a controlled winding up of the business and all trading had effectively ceased by June 2010. The assets, trading stock and debtors have been realised and collected and outstanding creditors have been settled. The director believes the group remains in a position where it can reach a full and final settlement with all of its creditors.

Basis of consolidation

The consolidated financial statements incorporate the results of The Chitty Food Group Limited and all of its subsidiary undertakings as at 30 October 2009 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

Merger accounting

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill and negative goodwill arising on consolidation are amortised over five years.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

The Chitty Food Group Limited

Notes forming part of the financial statements for the year ended 30 October 2009 (*continued*)

1 Accounting policies (*continued*)

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Leasehold property	- Over the period of the lease
Plant and machinery	- 5 - 25% on a straight line basis per annum and 10 - 25% on a reducing balance basis per annum
Motor vehicles	- 25% on a straight line basis per annum and 25% on a reducing balance basis per annum

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Research and development

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except for the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

The Chitty Food Group Limited

Notes forming part of the financial statements for the year ended 30 October 2009 (continued)

1 Accounting policies (continued)

Leased assets (continued)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

2 Corresponding figures

The analysis between continuing and discontinued operations for the year ended 30 October 2008 is shown below. Acquisitions made in the year ended 30 October 2008 are shown as part of continuing activities and activities discontinued in the year ended 30 October 2009 are shown as part of discontinued activities.

Further details on discontinued operations are given in note 24.

	Continuing £	Discontinued in 2008 £	Discontinued in 2009 £	Total £
Turnover	51,174,281	-	18,615,809	69,790,090
Cost of sales - including exceptionals of £5,167,607	24,071,791	-	36,734,103	60,805,894
Gross profit/(loss)	27,102,490	-	(18,118,294)	8,984,196
Administrative expenses - including exceptional costs of £1,659,764	7,088,747	-	5,330,717	12,419,464
	20,013,743	-	(23,449,011)	(3,435,268)
Other operating income - including exceptionals of £5,167,607	129,064	-	5,038,543	5,167,607
Operating profit/(loss)	20,142,807	-	(18,410,468)	1,732,339

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

3 Turnover

	2009 £	2008 £
Analysis by geographical market		
United Kingdom	60,679,335	61,155,926
Europe	6,538,697	8,634,164
	<u>67,218,032</u>	<u>69,790,090</u>

Turnover is wholly attributable to the principal activity of the group

4 Operating (loss)/profit

	2009 £	2008 £
This is arrived at after charging/(crediting)		
Research and development - current year's expenditure	3,912	2,457
Depreciation of tangible fixed assets	1,062,300	696,552
Amortisation of positive goodwill	2,907	-
Hire of plant and machinery - operating leases	67,193	154,420
Hire of other assets - operating leases	394,946	560,644
Auditors' remuneration		
- fees payable to the group's auditor for the audit of the group's annual accounts	45,000	48,000
- other taxation services	14,000	13,750
Exchange differences	53,520	(19,793)
	<u> </u>	<u> </u>

Included in the group audit fee is an amount of £10,000 (2008 - £10,000) in respect of the company

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

5 Exceptional item

	2009 £	2008 £
Business interruption insurance proceeds	(3,077,272)	(3,312,000)
Insurance proceeds for stock	-	(195,843)
Insurance proceeds for fire damage	-	(1,659,764)
	<u>(3,077,272)</u>	<u>(5,167,607)</u>
Fire damage costs	-	1,659,764
Insurance proceeds in excess of fixed asset net book value	-	(5,167,607)
	<u>-</u>	<u>(5,167,607)</u>

In November 2007 the group suffered a fire at its meat processing plant in Guildford causing significant disruption to the business. This resulted in the loss of the fixed assets and other fire damage costs as set out above, with the insurance proceeds in respect of these items including loss of profits.

6 Employees

Staff costs (including directors) consist of

	Group 2009 £	Group 2008 £
Wages and salaries	7,364,757	7,633,342
Social security costs	669,557	732,954
Other pension costs	91,129	148,999
	<u>8,125,443</u>	<u>8,515,295</u>

The average number of employees (including directors) during the year was as follows

	Group 2009 Number	Group 2008 Number
Production	197	216
Office and administration	49	55
	<u>246</u>	<u>271</u>

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 *(continued)*

7 Director's remuneration

	2009 £	2008 £
Director's emoluments	196,527	183,852
Company contributions to money purchase pension schemes	14,781	64,275
	<u> </u>	<u> </u>

There were 2 directors in the group's defined contribution pension scheme during the year (2008 - 2)

8 Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts	96,890	188,666
All other loans	2,207	837
Finance leases and hire purchase contracts	58,720	55,188
	<u> </u>	<u> </u>
	157,817	244,691
	<u> </u>	<u> </u>

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

9 Taxation on (loss)/profit on ordinary activities

	2009 £	2008 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	(15,434)	343,711
Adjustment in respect of previous periods	22,239	-
	<u>6,805</u>	<u>343,711</u>
Total current tax	<u>6,805</u>	<u>343,711</u>

The tax assessed for the year is higher than/lower than the standard rate of corporation tax in the UK applied to (loss)/profit before tax. The differences are explained below:

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	(3,862,545)	2,006,254
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 28%)	(1,081,513)	561,751
Effect of:		
Expenses not deductible for tax purposes	213,980	17,977
Depreciation for period in excess/(deficit) of capital allowances	846,533	(240,029)
Adjustment to tax charge in respect of previous periods	22,239	-
Marginal tax rate relief	5,566	(5,566)
Effect of tax rate change	-	9,578
	<u>6,805</u>	<u>343,711</u>
Current tax charge for the year	<u>6,805</u>	<u>343,711</u>

10 Dividends

	2009 £	2008 £
Ordinary shares		
Interim paid of 26 31p (2008 - 4 47p) per share	394,600	67,000
	<u>394,600</u>	<u>67,000</u>

The interim dividends were paid at a time when the company had sufficient distributable profits.

11 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a loss after tax of £2,816,573 (2008 - £142,057) which is dealt with in the financial statements of the parent company.

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

12 Intangible fixed assets

Group

	Goodwill on consolidation £	Negative goodwill £	Total £
<i>Cost or valuation</i>			
At 31 October 2008	8,984	(853,703)	(844,719)
Additions	34,889	-	34,889
Disposals	(43,873)	-	(43,873)
	<hr/>	<hr/>	<hr/>
At 30 October 2009	-	(853,703)	(853,703)
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 31 October 2008	8,984	(853,703)	(844,719)
Provided for the year	2,907	-	2,907
Disposals	(11,891)	-	(11,891)
	<hr/>	<hr/>	<hr/>
At 30 October 2009	-	(853,703)	(853,703)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 October 2009	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 October 2008	-	-	-
	<hr/>	<hr/>	<hr/>

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

13 Tangible fixed assets

Group

	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost or valuation</i>				
At 31 October 2008	4,786,146	12,479,061	1,294,660	18,559,867
Additions	1,113,322	667,688	103,257	1,884,267
Disposals	(4,986,002)	(5,853,506)	(338,201)	(11,177,709)
At 30 October 2009	913,466	7,293,243	1,059,716	9,266,425
<i>Depreciation</i>				
At 31 October 2008	1,060,472	10,000,535	1,174,679	12,235,686
Provided for the year	206,595	796,607	59,098	1,062,300
Disposals	(637,225)	(4,370,223)	(263,832)	(5,271,280)
At 30 October 2009	629,842	6,426,919	969,945	8,026,706
<i>Net book value</i>				
At 30 October 2009	283,624	866,324	89,771	1,239,719
At 30 October 2008	3,725,674	2,478,526	119,981	6,324,181

Company

	Plant and machinery £	Motor vehicles £	Total £
<i>Cost or valuation</i>			
At 31 October 2008	1,015,980	1,168,338	2,184,318
Additions	13,899	80,977	94,876
Disposals	-	(211,879)	(211,879)
At 30 October 2009	1,029,879	1,037,436	2,067,315
<i>Depreciation</i>			
At 31 October 2008	956,483	1,084,588	2,041,071
Provided for the year	26,811	39,435	66,246
Disposals	-	(159,220)	(159,220)
At 30 October 2009	983,294	964,803	1,948,097

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (continued)

13 Tangible fixed assets (continued)

Company (continued)

	Plant and machinery £	Motor vehicles £	Total £
<i>Net book value</i>			
At 30 October 2009	46,585	72,633	119,218
At 30 October 2008	59,497	83,750	143,247

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
<i>Net book value</i>				
Plant and machinery	607,105	679,262	115,853	16,327
Motor vehicles	88,845	110,306	88,845	73,997
	695,950	789,568	204,698	90,324
<i>Depreciation charged</i>				
Plant and machinery	301,690	170,403	105,874	6,468
Motor vehicles	51,578	40,470	39,206	25,559
	353,268	210,873	145,080	32,027

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

14 Fixed asset investments

Company

	Group undertakings £
<i>Cost or valuation</i>	
At 31 October 2008	4,001,655
Additions	75,000
Disposals	(247,500)
	<hr/>
At 30 October 2009	3,829,155
	<hr/>
<i>Provisions</i>	
Provided for the year and at 30 October 2009	1,590,526
	<hr/>
<i>Net book value</i>	
At 30 October 2009	2,238,629
	<hr/>
At 30 October 2008	4,001,655
	<hr/>

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Proportion of voting rights and ordinary share capital held	Nature of business
Chitty Wholesale Limited	100%	Trading of meat
Chitty Foods (Horndean) Limited	100%	Controlled atmospheric packing of meat
Chitty Abattoir Limited	100%	Non-trading
Dawkins International Limited	95%	Trading of meat
DBI (Midlands) Limited	95%	Non-trading
Trackback Food Services Limited	100%	Trading of meat
Chitty Guildford Processing Limited	100%	Trading of meat
Rare Direct Limited	100%	Non-trading
Chitty Foods (Lakesmere) Limited	100%	Non-trading

DBI (Midlands) Limited is held by Dawkins International Limited. All other subsidiary undertakings are held directly by The Chitty Food Group Limited.

During 2009, Chitty Food Group purchased the remaining 12.5% share capital of Trackback Food Services Limited.

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

15 Stocks

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Finished goods and goods for resale	855,873	2,705,464	-	-

There is no material difference between the replacement cost of stocks and the amounts stated above

16 Debtors

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade debtors	2,477,438	5,827,901	622,219	6,169
Amounts owed by group undertakings	-	-	-	1,759,539
Directors' loan accounts	40,922	-	40,922	-
Other debtors	540,313	986,283	108,853	139,498
Prepayments and accrued income	220,931	657,439	135,035	95,692
	<u>3,279,604</u>	<u>7,471,623</u>	<u>907,029</u>	<u>2,000,898</u>

All amounts shown under debtors fall due for payment within one year

17 Creditors: amounts falling due within one year

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Bank loans and overdrafts (secured)	682,360	3,884,557	1,296,194	-
Other loans	10,000	10,000	10,000	10,000
Trade creditors	738,766	2,516,935	138,749	45,797
Amounts owed to group undertakings	-	-	1,886,069	3,240,441
Corporation tax	352,953	488,866	2,437	2,437
Other taxation and social security	217,378	496,454	162,077	35,063
Obligations under finance lease and hire purchase contracts	267,924	313,458	27,032	47,713
Other creditors	554,357	321,893	295,183	88,330
Accruals and deferred income	620,975	2,020,717	170,517	190,574
	<u>3,444,713</u>	<u>10,052,880</u>	<u>3,988,258</u>	<u>3,660,355</u>

The bank loans and overdrafts are secured by charges over all the assets of the group

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (continued)

18 Creditors' amounts falling due after more than one year

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Other loans	32,500	30,928	32,500	30,928
Obligations under finance lease and hire purchase contracts	128,674	347,181	17,173	30,983
	<u>161,174</u>	<u>378,109</u>	<u>49,673</u>	<u>61,911</u>
Maturity of debt				
Group				
	Loans and overdrafts 2009 £	Loans and overdrafts 2008 £	Finance leases 2009 £	Finance leases 2008 £
In one year or less, or on demand	<u>692,360</u>	<u>3,894,557</u>	<u>267,924</u>	<u>313,458</u>
In more than one year but not more than two years	10,000	10,000	77,415	216,857
In more than two years but not more than five years	<u>22,500</u>	<u>20,928</u>	<u>51,259</u>	<u>130,324</u>
	<u>32,500</u>	<u>30,928</u>	<u>128,674</u>	<u>347,181</u>
Company				
	Loans and overdrafts 2009 £	Loans and overdrafts 2008 £	Finance leases 2009 £	Finance leases 2008 £
In one year or less, or on demand	<u>1,306,194</u>	<u>10,000</u>	<u>27,032</u>	<u>47,713</u>
In more than one year but not more than two years	10,000	10,000	12,607	22,385
In more than two years but not more than five years	<u>22,500</u>	<u>20,928</u>	<u>4,566</u>	<u>8,598</u>
	<u>32,500</u>	<u>30,928</u>	<u>17,173</u>	<u>30,983</u>

The Chitty Food Group Limited

Notes forming part of the financial statements for the year ended 30 October 2009 *(continued)*

18 Creditors: amounts falling due after more than one year *(continued)*

The finance lease and hire purchase liabilities are secured on the assets concerned. The bank overdrafts are secured by way of fixed and floating charges over the assets of all group undertakings.

The loan of £42,500 (2008 - £40,928), is from the ARC Pension Scheme and is repayable in instalments of £2,500 per quarter.

19 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £91,129 (2008 - £148,999). Contributions amounting to £24,534 (2008 - £24,534) were payable to the fund and are included in creditors.

20 Share capital

	2009 £	2008 £
<i>Allotted, called up and fully paid</i>		
1,500,000 shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>

21 Reserves

Group

	Profit and loss account £
At 31 October 2008	4,423,232
Loss for the year	(3,872,398)
Dividends	<u>(394,600)</u>
At 30 October 2009	<u>156,234</u>

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (continued)

21 Reserves (continued)

Company

	Other reserves £	Profit and loss account £
At 31 October 2008	913,414	27,159
Loss for the year	-	(2,816,573)
Dividends	-	(394,600)
Transfers	(913,414)	913,414
	<hr/>	<hr/>
At 30 October 2009	-	(2,270,600)
	<hr/>	<hr/>

22 Reconciliation of movements in shareholders' funds/(deficit)

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
(Loss)/profit for the year	(3,872,398)	1,639,370	(2,816,573)	(142,057)
Dividends	(394,600)	(67,000)	(394,600)	(67,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Net (deductions from)/additions to shareholders' funds/(deficit)	(4,266,998)	1,572,370	(3,211,173)	(209,057)
Opening shareholders' funds	5,923,232	4,350,862	2,440,573	2,649,630
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	1,656,234	5,923,232	(770,600)	2,440,573
	<hr/>	<hr/>	<hr/>	<hr/>

23 Acquisitions

During the year the group purchased the remaining 12.5% share capital of Trackback Food Services Limited for £75,000. At the time of acquisition the net assets were £40,111 giving rise to additional goodwill of £34,889.

24 Discontinued operations

On 10 August 2009 the group disposed of Trackback Food Services Limited as the company went into administration.

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (continued)

24 Discontinued operations (continued)

The loss on disposal of Trackback Food Services Limited has been calculated as follows

	£
Net proceeds received	-
Net assets disposed of	150,247
	<hr/>
Loss on disposal	(150,247)
	<hr/>

The net inflow of cash in respect of the sale of Trackback Food Services Limited is as follows

	£
Net inflow of cash	-
	<hr/>

On 13 October 2009 the group disposed of the Guildford fixed assets and property lease relating to Chitty Wholesale Limited and Chitty Guildford Processing Limited were sold and the employees of these businesses transferred to the acquirer under TUPE

The loss on disposal of the Guildford fixed assets and property lease has been calculated as follows

	£	£
Cash proceeds		2,000,000
Net assets disposed of		
Tangible fixed assets	5,593,363	
HP liabilities transferred	(1,071,595)	
	<hr/>	
		4,521,768
		<hr/>
Loss on disposal		(2,521,768)
		<hr/>

The net inflow of cash in respect of the sale of the Guildford fixed assets and property lease is as follows

	£
Cash consideration	2,000,000
	<hr/>
Net inflow of cash	2,000,000
	<hr/>

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (*continued*)

25 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2009 £	Other 2009 £	Land and buildings 2008 £	Other 2008 £
Operating leases which expire				
Within one year	-	151,856	2,340	-
In two to five years	-	65,740	80,400	-
After five years	302,340	-	485,455	-
	<u>302,340</u>	<u>217,596</u>	<u>568,195</u>	<u>-</u>

The company had annual commitments under non-cancellable operating leases as set out below

	Other 2009 £	Other 2008 £
Operating leases which expire		
Within one year	59,574	-
In two to five years	31,349	-
	<u>90,923</u>	<u>-</u>

26 Related party disclosures

Controlling parties

The company is controlled by A R Chitty, a director

Related party transactions and balances

During the year the group made purchases of £1,955,923 (2007 - £256,378) from British Food Solutions Limited (BFS), a company in which A R Chitty is a director and shareholder. The purchases were at arms-length market value. At the year end an amount of £289,738 (2007 - £NIL) was owed by the group to BFS.

Loans and transactions concerning directors and officers of the company

A loan of £100,000 was made to the company from the ARC Pension Scheme, of which A R Chitty, a director, is a trustee. At the year end £42,500 (2007 - £40,928) was still outstanding.

During the year the company repaid a loan of £100,000 to Chitty Agricultural Management Services Limited, a company in which A R Chitty is a director and shareholder. At the year end an amount of £NIL (2008 - £100,000) was owed to the company. During the year the group made purchases of £18,000 (2008 - £44,100) with Chitty Agricultural Management Services Limited.

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 (continued)

27 Post balance sheet events

Following the year end, the group demerged its Dawkins subsidiary and, in Spring 2010, the group lost the customer that accounted for the majority of its remaining business. As a result of this, the director decided to undertake a controlled winding up of the business and all trading had effectively ceased by June 2010. The assets, trading stock and debtors have been realised and collected and outstanding creditors have been settled. The director believes the group remains in a position where it can reach a full and final settlement with all of its creditors.

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

	2009 £	2008 £
Operating (loss)/profit	(1,032,713)	1,732,339
Exceptional items included in operating (loss)/profit	(3,077,272)	(3,507,843)
Operating (loss)/profit before exceptional items	(4,109,985)	(1,775,504)
Amortisation of intangible fixed assets	2,907	-
Depreciation of tangible fixed assets	1,062,300	696,552
Profit on sale of tangible fixed assets	(39,327)	(27,841)
Decrease in stocks	1,849,591	549,238
Decrease/(increase) in debtors	3,239,433	(326,353)
(Decrease)/increase in creditors	(3,071,133)	550,877
Cash inflow relating to exceptional items	(1,066,214) 4,031,272	(333,031) 2,553,843
Net cash inflow from operating activities	2,965,058	2,220,812

The Chitty Food Group Limited

Notes forming part of the financial statements
for the year ended 30 October 2009 *(continued)*

29 Reconciliation of net cash flow to movement in net debt

	2009 £	2008 £
Increase/(decrease) in cash	3,199,105	(1,730,834)
Cash inflow from changes in debt	79,374	317,479
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	3,278,479	(1,413,355)
Inception of finance leases	(876,928)	(340,489)
Finance leases transferred on sale of fixed assets	1,071,595	-
Reanalysis of creditors	(11,572)	-
	<hr/>	<hr/>
Movement in net debt	3,461,574	(1,753,844)
Opening net debt	(4,580,577)	(2,826,733)
	<hr/>	<hr/>
Closing net debt	(1,119,003)	(4,580,577)
	<hr/>	<hr/>

30 Analysis of net debt

	At 31 October 2008 £	Cashflow £	Non cash movements £	At 30 October 2009 £
Cash at bank and in hand	5,547	(3,092)	-	2,455
Bank overdrafts	(3,884,557)	3,202,197	-	(682,360)
		<hr/>		
		3,199,105		
		<hr/>		
Debt due within one year	(10,000)	-	-	(10,000)
Debt due after one year	(30,928)	10,000	(11,572)	(32,500)
Finance leases	(660,639)	69,374	194,667	(396,598)
		<hr/>		
		79,374		
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(4,580,577)	3,278,479	183,095	(1,119,003)
	<hr/>	<hr/>	<hr/>	<hr/>