A. B. Produce PLC

Directors' report and financial statements
Registered number 02240234
for the 52 weeks ended 27 May 2011

Contents

Company information

Directors	AJ Bndgen – Chairman PR Large – Managing Director PJ Bndgen PJ Ellis NA Sharratt DW Tomkinson (non-executive)
Secretary and registered office	DW Tomkinson Enterpnse House Westminster Industnal Estate Repton Road Measham Derbyshire DE12 7DT
Company number	02240234
Auditor	Baker Tilly UK Audit LLP St Philips Point Temple Row Birmingham B2 5AF
Bankers	Lloyds TSB Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF
Solicitors	Freeth Cartwnght LLP Solicitors Cardinal Square 2nd Floor, West Point 10 Nottingham Road Derby DE1 3QT

Directors' report

The directors present their report together with audited financial statements of A B Produce PLC for the 52 weeks ended 27 May 2011

Principal activity

The principal activity remains the processing and distribution of fresh produce, specialising in potatoes and other prepared vegetables

Business review

The results for the period are set out in the attached financial statements The directors consider that whilst the results are disappointing in absolute terms, they are wholly reflective of the combined dynamics of an aberrant trading season Bottom line performance was driven primarily through an extraordinary spike in the cost of raw materials coupled with the continued rise in diesel, electricity and insurance The figures belie extremely positive underlying factors including volume growth, process improvements and efficiency gains

Predictions by the British Potato Council last year that UK potato crop production would see a 6% fall compared to the previous year encouraged grower confidence and a stronger domestic trading environment developed In Russia, the worst drought for fifty years reduced the yield of most crops including wheat, sugar beet, potatoes and corn and created an extremely buoyant UK export market where large tranches of European grown potatoes headed east to plug the gap in the Russian market This situation only helped exacerbate an already hard UK market resulting in average input prices more than double prior year levels and in some cases up by a factor of four

In the UK, the economic recovery continued to falter as the scope and quantum of austerity measures needed to manage the fiscal deficit became apparent Therefore, as a consequence of the development of our customer portfolio in two main ways being the decline in the "free trade" wholesale sector with its short term pricing and, strategic growth through blue chip retail and foodservice partners based on fixed term contracts, it was extremely difficult to pass on any increased raw material and conversion costs to protect margin That said, it was comforting to note that several key partners were supportive of the irregular trading circumstances and we were successful in achieving selected price uplifts but we were always chasing the cost curve as the season progressed

Price stability in the market place was further hampered by two extreme positions which ranged from the desire of some companies on the financial borderline to seek incremental volume at any cost and conversely the willingness of some competitors to renege on supply agreements It is a long held and fundamental principle of A B Produce PLC to trade on the basis of respect, trust and affinity across the supply chain and a principle not to be given up in the face of short term trading pressure The ability to maintain this resolute position can only be supported by a financially sound, confident business with a wealth of management experience unphased by a challenging season

It is important that the many successful projects undertaken within the factory are not overshadowed and our achievements in improving yields, driving process efficiency and reducing conversion costs are recognised Exciting collaborative ventures with key customers are producing results in removing unnecessary packaging, reducing food miles and managing food waste to eradicate land fill

We have achieved strong year on year growth in our washed potato volumes supported by the continued expansion of our prepared vegetable range Prestigious account gains have underlined our strong customer proposition for the consistent supply of high quality produce backed by exceptional levels of customer service Whilst this growth was not readily manifest in the results posted for the year under review, the full benefit of new business development is coming through in the current year

Directors' report (continued)

Key performance indicators

Our focus remains to be the supplier of choice in our target markets and therefore we continue to measure ourselves against the highest standards of product quality, customer service and delivery performance Given the increasing competitiveness within the fresh produce sector and fully understanding our customers need to have absolute confidence in their own service offer, we adopt internal performance measures that reflect this vital responsibility

Having continued to invest in robust quality systems, we are delighted at the open and positive relationships developed with the buyers and technical teams of our key customers which help to engineer issues out of the product at the front end in order to eradicate problems at the point of delivery

Whilst order fulfilment and customer satisfaction feedback is at extremely high levels, a new sales order processing system is being developed based on a fully integrated electronic platform This will further enhance the customer ordering experience, reduce complexity and eradicate the duplication of work It is anticipated that at least 60% of all customer transactions will be processed via the new system in Phase 1 planned for release in January 2012 This project will also offer added mutual benefits through the adoption of electronic invoicing and the avoidance of paper based document transmission as well as the provision of shared business intelligence

Customer confidence that orders placed will arrive to the correct specification, in the right format and within the prescribed delivery window is of paramount importance Again, through close liaison with customers we have been able to optimise load planning and delivery scheduling routines to maintain consistent hit rates at or above 99 8% and also maximising back-haul opportunities across the fresh food sector This added value activity reduces overall food miles for the industry whilst optimising the utilisation of our distribution fleet

Material utilisation and food waste are ongoing focus areas which have particular bearing in a high cost crop year Following end to end reviews of processing and inspection techniques coupled with improved awareness re the operational implications of changing crop dynamics, average yield performance improved by a further 3% year on year with the added benefits of reduced consumption of associated resources ie power and water The incremental yield improvement is aside from any uplift generated by seasonal improvement in crop quality

A B Produce PLC remains committed to the attainment of the highest standards throughout its operation as demonstrated by our British Retail Consortium accreditation at Grade A level We will continue to obtain certification by and affiliation with, any industry body or association that underlines our resolve to inspire confidence in buyers, customers and our suppliers as a preferred and reliable trading partner

Corporate responsibility

A B Produce PLC recognises its corporate responsibility to its employees and the environment, adopting a continuous improvement policy for the efficient use of resources, health and safety procedures and staff development The company strives to offer a safe workplace for its employees and the plant is managed within a strict, independently audited, framework to ensure full compliance with internal policy and relevant legislation

Comprehensive policies and initiatives are adopted within the business to reduce waste and our extensive recycling program ensures that all waste cardboard, wood and plastic is responsibly managed to avoid land fill Collaboration with our customers in support of their environmental aspirations has seen the adoption of waste removal processes that avoid their land fill volumes and ensure viable food waste is recycled back into the animal food chain

Further developments to our water recycling plant have seen the implementation of a starch extraction system which can then be utilised either in the food industry or as a lubricating agent in the oil industry Having already removed the solids from the water used in the manufacturing process, this water is then used for crop irrigation systems

A B Produce PLC acknowledges its role as one of the largest employers in the community and is delighted that further growth will create new employment opportunities We are proud to continue our association and sponsorship of local events and bodies ranging from the Heart of the Forest Festival to the local junior football team In this prolonged economic downturn, we appreciate the challenges faced by the local business community and always endeavour to utilise local sourcing opportunities wherever possible

Directors' report (continued)

Charitable donations

During the period the company made various donations in support of local charitable causes and fund raising events amounting to £2,000 *(2010 £7,000)* In addition, an amount of £8,000 *(2010 £29,000)* was donated to the North West Leicestershire Conservative Association

Future outlook

The timing of our financial year end relative to the transition from old crop to new crop potatoes resulted in a short hangover from the adverse trading conditions moving into the new financial year However, with plentiful supplies of good quality new crop potatoes available from the middle of July at much lower prices, margins quickly improved and look set to continue at more palatable levels in the medium term

The Potato Council estimate of total potato production at 6m tonnes suggests that supply and expected demand should be in reasonable balance for the current crop year however, overall quality and storage potential is unknown at this time and it is difficult to predict prices beyond April next year Two years ago we had a 6 2m tonne crop and ran out in June whereas the 2010 crop produced only 5 8m tonnes which eventually saw us through to the next crop despite the perception of a large shortfall and attendant high prices Whilst the outturn of this year is by no means certain at this stage, we remain cautiously optimistic about the year ahead

UK grown vegetable crops are looking good at the moment and, notwithstanding any severe weather patterns, should see us nicely through the winter with no undue supply or quality issues Imported winter season crops are also good and no problems are envisaged with this raw material element

Globally, we are now seeing falls in other commodity prices, notably paper and polymers and this is having a positive impact on our packaging costs Nobody is predicting a reversal of this trend as worldwide economies struggle in the wake of the latest round of financial turmoil and demand, even in the previously booming BRIC economies, is waning Overall, therefore, we can expect input prices to remain relatively stable in the current year

In the UK it is expected that the general downturn will continue for the next few years and this could affect demand in the food service sector albeit there will undoubtedly be a bonus ball next year in the form of the Olympic Games We are currently working with relevant customers on the Olympic Road Network project to ensure delivery patterns within the inner London area reflect the short term dynamics over this period Other than this, the corporate spend on entertaining and the propensity of people to eat out is likely to decline overall with assured quality and service at the highest level required to retain market share That said, much of our food service volume is distributed within the public sector and is unlikely to experience any notable change in volume

Our broad portfolio of customers also includes discount retail which has already seen consistent growth and if there is a significant trend towards a value proposition with the aim of more home based consumption then our overall performance should not be compromised providing at all times that we continue to deliver on the key areas of product quality and customer service

In the challenging economic environment set to remain for some time yet, one thing remains certain in that customers will choose trading partners that not only offer a product and price that ticks a box in the short term, but will increasingly look for the comfort of dealing with suppliers that understand the market, with a proven track record of service and delivery performance and the capability to accommodate the changing needs of the marketplace in the face of continued trading pressure and consolidation

A B Produce PLC continues to review its manufacturing processes and performance to ensure best practice and identify further opportunities to invest Recent examples of this continuous investment process are evidenced in the organisation structure where a reorganised Technical Team will be headed up by a new Head of Technical joining the business after Xmas, in the factory where production line improvements will see more streamlined and more efficient processing of raw material and, in the vehicle fleet where on December 1st we take delivery of ten new Scania units and eleven new CAT forklifts to support our material handling and distribution capability and commitments

Directors' report (continued)

Future outlook (continued)

We look forward to further development of the business by leveraging the product range, production flexibility, strong track record on service, unrivalled location and distribution capability to ensure we remain the supplier of choice in our field adding value to all stakeholders through sustainable growth

Principal risks and uncertainties

Whilst the medium term UK economic outlook looks bleak, our core business is conducted in a sector historically more resilient than most and whilst downward pressure on prices will undoubtedly be a continuing theme, climatic conditions and crop performance will remain the dominant drivers to the performance of the business

We continue to work with suppliers and customers alike to hedge against risk in the supply chain and balance our purchasing strategy between forward contracts and spot buying to ensure continuity of supply whilst retaining procurement flexibility

The company benefits from a balanced and diverse portfolio of customers in terms of size and sector representation and will continue to develop new business opportunities based on strategic fit and mutual benefit coupled with a resolute approach to risk management

We are confident that discerning customers will continue to seek longer term relationships with those suppliers who offer an extensive range of quality produce supported by proven industry leading service levels thereby reducing complexity and risk in the supply chain We remain well placed to take advantage of any opportunities that may present themselves as prolonged economic hardship forces further consolidation and/or exit strategies

Dividends

The directors deemed it inappropriate to declare a dividend given the specific trading challenges faced during the 2010/11 financial year *(2010 £12 00 per share)* and this decision was fully endorsed by the shareholders

Directors

Directors holding office during the year were as follows

AJ Bridgen – Chairman
PR Large – Managing Director
PJ Bridgen
PJ Ellis
NA Sharratt
DW Tomkinson (non-executive)
M McQuaide (resigned 16 September 2011)

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all directors of the company

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report (continued)

Payment of creditors

Despite the challenging trading environment faced last year and against the general business trend, A B Produce PLC remained committed to its long standing and valued supplier base In our opinion, the application of consistent trading principles and payment procedures is a fundamental investment in the supply chain and key to the ongoing protection of core supplier relationships based on mutual trust and respect

The company's policy is to determine terms and conditions of payment with suppliers when negotiating the other terms of supply and then to abide by those terms following the commencement of trade We are immensely proud of the fact that whatever the economic or trading conditions may be, our suppliers can remain confident in our robust and systematic approach to invoice settlement The number of days' purchases that were outstanding at 27 May 2011 was 44 days *(2010 42 days)*

Auditor

A resolution for the re-appointment of Baker Tilly UK Audit LLP will be proposed at the forthcoming Annual General Meeting

By order of the board

PR Large
Managing Director

2 DEZEMBER 2011

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal penod Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that penod In preparıng those financıal statements, the dırectors are requıred to

a select suıtable accountıng polıcıes and then apply them consıstently,

b make judgements and accountıng estımates that are reasonable and prudent,

c state whether applıcable UK Accountıng Standards have been followed, subject to any matenal departures dısclosed and explaıned ın the financıal statements,

d prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropnate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregulantıes

Independent auditor's report to the members of A. B. Produce PLC

We have audited the financial statements on pages 9 to 20 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 more fully explained in the Directors' Responsibilities Statement set out on page 7, 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

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 27 May 2011 and of its loss for the period 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 period 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,
- the financial statements are not in agreement with the accounting records and returns,
- 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

Baker Tilly UK Audit LLP

BENJAMIN LAWRANCE (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

2 DECEMBER 2011

Profit and loss account
for the 52 weeks ended 27 May 2011

	Note	52 weeks ended 27 May 2011 £'000	52 weeks ended 28 May 2010 £'000
Turnover	2	**22,689**	19,155
Cost of sales		**(20,833)**	(14,338)
Gross profit		**1,856**	4,817
Administrative expenses		**(2,689)**	(2,621)
Operating (loss) / profit		**(833)**	2,196
Interest receivable and similar income	5	**20**	2
Interest payable and similar charges	6	**(4)**	(3)
(Loss) / profit on ordinary activities before taxation	7	**(817)**	2,195
Taxation on (loss) / profit on ordinary activities	8	**232**	(720)
Retained (loss) / profit for the financial period	16	**(585)**	1,475

The above results relate to continuing operations

There were no recognised gains or losses in either the current or preceding period other than those disclosed in the profit and loss account

The notes on pages 12 to 20 form part of these financial statements

Company No 02240234

Balance sheet
as at 27 May 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Tangible assets	9		**2,188**		2,556
Current assets					
Stocks	10	**540**		366	
Debtors	11	**4,972**		2,950	
Cash at bank and in hand		**69**		538	
		5,581		3,854	
Creditors: amounts falling due within one year	12	**(4,769)**		(2,732)	
Net current assets			**812**		1,122
Total assets less current liabilities			**3,000**		3,678
Creditors: amounts falling due after more than one year	13		**(42)**		(94)
Provision for liabilities	14		**(199)**		(240)
Net assets			**2,759**		3,344
Capital and reserves					
Called up share capital	15		**83**		83
Share premium account	16		**268**		268
Capital redemption reserve	16		**23**		23
Profit and loss account	16		**2,385**		2,970
Shareholder's funds	17		**2,759**		3,344

These financial statements on pages 9 to 20 were approved by the board of directors and authorised for issue on
2 DECEMBER 2011 and were signed on its behalf by

NA Sharratt

NA Sharratt
Finance Director

The notes on pages 12 to 20 form part of these financial statements

Cash flow statement
for the 52 weeks ended 27 May 2011

	Note	52 weeks ended 27 May 2011 £'000	52 weeks ended 27 May 2011 £'000	52 weeks ended 28 May 2010 £'000	52 weeks ended 28 May 2010 £'000
Net cash inflow from operating activities	*18*		**563**		2,869
Returns on investments and servicing of finance					
Interest received		**1**		2	
Interest paid		**(4)**		(1)	
Net cash (outflow) / inflow from returns on investments and servicing of finance			**(3)**		1
Taxation paid			**(289)**		(785)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(469)**		(387)	
Sale of tangible fixed assets		**24**		37	
Loan to other entities	*22*	**(250)**		(500)	
Net cash outflow on capital expenditure and financial investments			**(695)**		(850)
Equity dividends paid			**-**		(1,000)
Cash (outflow) / inflow before financing			**(424)**		235
Financing					
Finance lease and hire purchase payments		**(45)**		(78)	
Loan repayments		**-**		-	
Net cash outflow from financing			**(45)**		(78)
(Decrease) / increase in cash	*19*		**(469)**		157

Reconciliation of net cash flow to movement in net funds

	Note	2011 £'000	2010 £'000
Movement in cash in the period	*19*	**(469)**	157
Cash flow from decrease in debt finance		**-**	-
Cash flow in respect of finance leases		**45**	53
Change in debt resulting from cash flows		**(424)**	210
New finance leases		**-**	(16)
Movement in net debt in period		**(424)**	194
Net funds at 28 May 2010		**470**	276
Net funds at 27 May 2011	*19*	**46**	470

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The use of the going concern basis of accounting is appropriate as the directors conclude there are no material uncertainties relating to events or conditions that may cast doubt over the ability of the company to continue as a going concern

In making this assessment the directors have established that there are sufficient cash reserves with no debt funding currently in place, therefore the company will continue to meet its liabilities as they fall due over the foreseeable future

Turnover

Turnover represents the value, net of value added tax, of goods sold to customers Revenue is recognised at the point goods are dispatched

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment

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

Plant and machinery	- 1 to 15 years straight line
Motor vehicles	- 4 to 10 years straight line
Computers and office equipment	- 2 to 10 years straight line

Depreciation is charged in the accounting period when fixed assets are first brought into use Residual value is calculated on prices prevailing at the date of acquisition

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 any further costs expected to be incurred to completion and disposal

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred tax is measured at the average rates expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Notes *(continued)*

1 Accounting policies (continued)

Leases

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 during the lease term The corresponding leasing commitments are shown as obligations to the lessor Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Government grants

Capital based government grants are included within other creditors in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Turnover

Turnover is wholly attributable to the principal activity of the company, arising solely within the United Kingdom

3 Employees

	52 weeks 2011 Number	52 weeks 2010 Number
The average number of employees, including directors, in the period was as follows		
Office and management	21	19
Production	123	125
	144	144
	£'000	£'000
Staff costs, including directors, consist of		
Wages and salaries	3,290	3,315
Social security costs	323	328
Other pension costs	32	22
	3,645	3,665

4 Directors' emoluments

	52 weeks 2011 £'000	52 weeks 2010 £'000
Directors' emoluments consist of		
Remuneration for management services	658	524
Pension contributions	16	11
	674	535

Notes *(continued)*

4 Directors' emoluments (continued)

	52 weeks 2011 £'000	52 weeks 2010 £'000
Highest paid director		
Remuneration for management services	**177**	118
Pension contributions	**8**	-
	185	118

During the period two directors *(2010 two)* participated in the associated defined contribution pension scheme (see note 20) and four directors *(2010 four)* participated in a private money purchase pension scheme

5 Interest receivable and similar income

	52 weeks 2011 £'000	52 weeks 2010 £'000
Bank deposits and investments	**1**	2
Other loans (see note 22)	**19**	-
	20	2

6 Interest payable and similar charges

	52 weeks 2011 £'000	52 weeks 2010 £'000
Bank loans and overdrafts	**2**	-
Finance lease and hire purchase agreements	**1**	3
Other interest payable	**1**	-
	4	3

7 (Loss) / profit on ordinary activities before taxation

	52 weeks 2011 £'000	52 weeks 2010 £'000
(Loss) / profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation - owned assets	**580**	576
- leased assets	**32**	26
Operating lease - land and buildings	**468**	468
Hire of motor vehicles	**328**	327
Auditor's remuneration - audit services	**41**	39
Profit on sale of fixed assets	**(7)**	-
Release of government grant	**(42)**	(50)

Notes *(continued)*

8 Taxation on (loss) / profit on ordinary activities

	52 weeks 2011 £'000	52 weeks 2010 £'000
Current tax		
UK corporation tax on (loss) / profit for the period	**(191)**	623
Deferred tax		
(Reversal) and origination of timing differences	**(41)**	97
Taxation (credit) / charge for the period	**(232)**	720

Factors affecting the tax charge for the current period

The tax assessed for the period is lower than *(2010 higher than)* the standard rate of corporation tax in the United Kingdom at 28% *(2010 28%)* The differences are explained below

	52 weeks 2011 £'000	52 weeks 2010 £'000
Current tax reconciliation		
(Loss) / profit on ordinary activities before tax	**(817)**	2,195
Current tax at 28% *(2010 28%)*	**(229)**	615
Effects of		
Permanent differences	**5**	-
Difference between accumulated depreciation and accelerated capital allowances	**45**	11
Other timing differences	**(12)**	(3)
Total current tax (credit) / charge	**(191)**	623

Factors affecting future tax charge

The directors consider that depreciation will exceed capital allowances for the foreseeable future

The company is aware of the changes in the rates of corporation tax and these changes will be reflected as appropriate

Notes *(continued)*

9 Tangible assets

	Plant and machinery £'000	Motor vehicles £'000	Computers and office equipment £'000	Total £'000
Cost				
Opening balance	5,428	919	163	6,510
Additions	202	51	8	261
Disposals	(23)	(44)	(3)	(70)
Closing balance	5,607	926	168	6,701
Accumulated depreciation				
Opening balance	3,353	463	138	3,954
Provided for the period	487	114	11	612
Disposals	(8)	(42)	(3)	(53)
Closing balance	3,832	535	146	4,513
Net book value				
At 27 May 2011	**1,775**	**391**	**22**	**2,188**
At 28 May 2010	2,075	456	25	2,556

The net book value of fixed assets includes £121,000 (*2010 £153,000*) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 7

10 Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	**488**	309
Goods held for resale	**52**	57
	540	366

11 Debtors

	2011 £'000	2010 £'000
Trade debtors	**3,668**	2,012
Corporation tax	**207**	-
Other taxation and social security	**121**	109
Other debtors (note 22)	**750**	500
Prepayments and accrued income	**226**	329
	4,972	2,950

Notes *(continued)*

12 **Creditors:** amounts falling due within one year

	2011	2010
	£'000	£'000
Obligations under finance lease and hire purchase contracts	**23**	45
Trade creditors	**3,346**	1,757
Corporation tax	**-**	273
Other taxation and social security	**88**	90
Other creditors	**977**	239
Accruals and deferred income	**335**	328
	4,769	2,732

Included in other creditors is a balance relating to government grants of £29,000 (*2010 £42,000*)

13 **Creditors:** amounts falling due after more than one year

	2011	2010
	£'000	£'000
Obligations under finance lease and hire purchase contracts	**-**	23
Other creditors	**42**	71
	42	94

Timing of obligations under finance lease and hire purchase contracts is as follows

	2011	2010
	£'000	£'000
Obligations can be analysed as falling due		
In one year or less	**23**	45
Between one and two years	**-**	23
	23	68

Lease purchase agreements of £23,000 *(2010 £68,000)* are secured by a chattels mortgage over the assets to which they relate

The entire balance of other creditors relates to government grants

Notes *(continued)*

14 Provision for deferred tax

	2011	2010
	£'000	£'000
Opening balance	**240**	143
Movement to profit and loss account	**(41)**	97
Provision at 27 May 2011	**199**	240

The deferred taxation liability relates solely to the difference between accumulated depreciation and capital allowances

15 Share capital

	2011	2010
	£'000	£'000
Allotted, called up and fully paid		
83,352 ordinary shares of £1 each	**83**	83

16 Reserves

	Share premium account	**Capital redemption reserve**	**Profit and loss account**
	£'000	**£'000**	**£'000**
Opening balance	268	23	2,970
Loss for the period	-	-	(585)
At 27 May 2011	**268**	**23**	**2,385**

17 Reconciliation of movement in shareholder's funds

	2011	2010
	£'000	£'000
(Loss) / profit for the period	**(585)**	1,475
Dividend paid	-	(1,000)
Net (reduction) / addition to shareholder's funds	**(585)**	475
Opening shareholder's funds	**3,344**	2,869
Closing equity shareholder's funds	**2,759**	3,344

Notes *(continued)*

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

	52 weeks 2011 £'000	52 weeks 2010 £'000
Operating (loss) / profit	**(833)**	2,196
Depreciation	**612**	602
Profit on sale of fixed assets	**(7)**	-
Amortisation of government grants	**(42)**	(50)
Provision movement	**-**	(25)
(Increase) / decrease in stocks	**(174)**	10
(Increase) / decrease in debtors	**(1,562)**	405
Increase / (decrease) in creditors	**2,569**	(269)
Net cash inflow from operating activities	**563**	2,869

19 Analysis of changes in net funds

	Opening balance £'000	Cash flows £'000	Closing balance £'000
Cash in hand, at bank	538	(469)	**69**
Finance lease and hire purchase agreements	(68)	45	**(23)**
	470	(424)	**46**

20 Pensions

The company operates a defined contribution scheme (A B Produce PLC SSAS Retirement and Death Benefit Scheme) The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £nil *(2010 £nil)* In addition, contributions of £16,000 *(2010 £11,000)* were paid on behalf of four *(2010 four)* directors and £16,000 *(2010 £11,000)* being paid on behalf of employees to individual funds

21 Commitments

(a) Capital commitments

At 27 May 2011, the company had capital commitments as follows

	2011 £'000	2010 £'000
Authorised and contracted	**54**	91

(b) Operating lease commitments

	Land and buildings 2011 £'000	Land and buildings 2010 £'000
Operating leases which expire		
Over five years (note 22)	**468**	468

Notes *(continued)*

22 Related parties

The land and buildings being Enterprise House, Repton Road, Measham are leased for £9,000 per week *(2010 £9,000)* from Bridgen Investments Limited, whose shareholders include AJ Bridgen, PJ Bridgen, PJ Ellis and DW Tomkinson who are directors of the company £351,000 *(2010 £585,000)* was paid during the period and £nil *(2010 £nil)* was outstanding at the period end The amount paid in 2010 included one advance rental quarter paid on the year end date

In November 2009 and March 2010, Bridgen Investments Limited purchased six and two tractor units respectively under two separate hire purchase agreements with Lloyds TSB Commercial Finance Under the financing arrangement with Lloyds TSB Bank Plc, a guarantee was given by A B Produce PLC for all monies outstanding under the two agreements At 27 May 2011, outstanding liabilities amounted to £413,000 *(2010 £607,000)*

The eight tractor units which are the subject of the guarantee detailed above together with other commercial vehicles are leased from Bridgen Investments Limited £320,000 *(2010 £343,000)* was paid during the period and £nil *(2010 £nil)* was outstanding at the period end

In May 2010, the company entered into a financing arrangement with Bridgen Investments Limited where under the loan agreement, a facility of £750,000 was made available attracting an interest rate of bank base rate plus 2 5% and repayable on demand At 27 May 2011, the full amount of £750,000 *(2010 £500,000)* had been drawn down by Bridgen Investments Limited Interest received/receivable at the period end was £19,000 *(2010 £nil)*

An amount of £7,000 *(2010 £14,000)* was paid to Tomkinson Teal for consultancy fees, a firm in which DW Tomkinson is a partner, and £nil *(2010 £nil)* was outstanding at the period end

23 Controlling party

At the balance sheet date, 100% of the company's issued share capital was owned by A B Produce Trading Limited This company is under the control of the directors who together own 90% of the issued share capital

24 Post balance sheet events

There were no material events after the balance sheet date