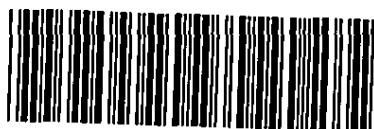


DOVES FARM FOODS LIMITED
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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DOVES FARM FOODS LIMITED

COMPANY INFORMATION
For The Year Ended 30 June 2007

DIRECTORS:

M J Marriage
C E Marriage

SECRETARY:

C E Marriage

REGISTERED OFFICE:

Salisbury Road
Hungerford
Berkshire
RG17 0RF

REGISTERED NUMBER:

2301391

DOVES FARM FOODS LIMITED

REPORT OF THE DIRECTORS For The Year Ended 30 June 2007

The directors present their report with the financial statements of the company for the year ended 30 June 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of millers and marketers of flours and foods

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. Our review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties which the company faces.

The company has had another successful year in milling, baking and selling organic flours and foods, of which all now meet Fair Trade status.

During the year the company has continued to develop with strong sales growth, supported by an increase in productive hours and employee numbers within the firm. The company has developed a new, larger site, allowing for this increase in capacity.

As at the year end the new site was complete and the company has future plans for another possible investment in to a new mill to increase production further.

Furthermore, Doves Farm Foods focus on a niche market of gluten free, Fair-Trade and organic products which are becoming more and more popular within today's society. This is reflected in an increase in demand from the larger retailers.

The main risk the business is susceptible to is the cost and supply of grain. Current world issues such as failures in harvest and the emergence of developing economies (with which meat production absorbs a lot of grain for food) and also the switch from grain to bio fuel production in the US, has substantially increased the cost of grain. Due to this margins are expected to tighten in the future, although it is expected that this increase in costs will eventually be reflected by increased sales prices to retailers. Many of these factors are outside of the control of the directors.

Further to this, food safety and contamination are always a risk to a company of this nature. Although these are minimised, by tight controls and continuous review of these controls and procedures within the day to day activity of the company. This includes the use of external audits, the response of these audits throughout the year have all been positive.

Given the nature of the business, the company's directors are of the opinion that analysis using financial Key Performance Indicators is not necessary for an understanding of the development, performance or position of the entity.

DIVIDENDS

No interim dividends were paid during the year ended 30 June 2007.

The directors recommend final dividends per share as follows:

Ordinary A Share £1 shares	£3
Ordinary B Share £1 shares	£3

The total distribution of dividends for the year ended 30 June 2007 will be £60,000.

DOVES FARM FOODS LIMITED

**REPORT OF THE DIRECTORS
For The Year Ended 30 June 2007**

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2006 to the date of this report

M J Marriage
C E Marriage

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, James Cowper, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


C E Marriage - Secretary

Date

10th December 2007

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF DOVES FARM FOODS LIMITED

We have audited the financial statements of Doves Farm Foods Limited for the year ended 30 June 2007 on pages six to fifteen. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

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 Report of the Directors 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 Report of the Directors 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 judgements 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.

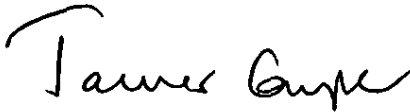
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
DOVES FARM 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 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements



James Cowper
Phoenix House
Bartholomew Street
Newbury
Berkshire
RG14 5QA

Date 13/12/07

DOVES FARM FOODS LIMITED

**PROFIT AND LOSS ACCOUNT
For The Year Ended 30 June 2007**

	Notes	2007 £	2006 £
TURNOVER		8,438,289	6,717,495
Cost of sales		<u>6,326,754</u>	<u>5,034,679</u>
GROSS PROFIT		2,111,535	1,682,816
Distribution costs		603,569	415,466
Administrative expenses		<u>576,051</u>	<u>469,066</u>
		1,179,620	884,532
OPERATING PROFIT	3	931,915	798,284
Interest receivable and similar income		<u>87,146</u>	<u>77,801</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,019,061	876,085
Tax on profit on ordinary activities	4	<u>289,406</u>	<u>244,782</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>729,655</u>	<u>631,303</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

DOVES FARM FOODS LIMITED

BALANCE SHEET
30 June 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	1,614,083	867,394
CURRENT ASSETS			
Stocks	7	568,744	437,724
Debtors	8	1,461,820	1,025,681
Cash at bank		1,658,979	2,163,943
		<u>3,689,543</u>	<u>3,627,348</u>
CREDITORS			
Amounts falling due within one year	9	1,096,145	997,258
NET CURRENT ASSETS		<u>2,593,398</u>	<u>2,630,090</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,207,481</u>	<u>3,497,484</u>
PROVISIONS FOR LIABILITIES	11	143,690	103,348
NET ASSETS		<u>4,063,791</u>	<u>3,394,136</u>
CAPITAL AND RESERVES			
Called up share capital	12	20,000	20,000
Profit and loss account	13	4,043,791	3,374,136
SHAREHOLDERS' FUNDS	18	<u>4,063,791</u>	<u>3,394,136</u>

The financial statements were approved by the Board of Directors on
signed on its behalf by

and were


M J Marriage - Director

DOVES FARM FOODS LIMITED

**CASH FLOW STATEMENT
For The Year Ended 30 June 2007**

	Notes	2007 £	2006 £
Net cash inflow from operating activities	1	574,383	1,295,800
Returns on investments and servicing of finance	2	87,146	77,801
Taxation		(236,869)	(190,284)
Capital expenditure	2	(869,624)	(201,091)
Equity dividends paid		(60,000)	(60,000)
(Decrease)/Increase in cash in the period		<u>(504,964)</u>	<u>922,226</u>

**Reconciliation of net cash flow
to movement in net funds**

	3		
(Decrease)/Increase in cash in the period		<u>(504,964)</u>	<u>922,226</u>
Change in net funds resulting from cash flows		<u>(504,964)</u>	<u>922,226</u>
Movement in net funds in the period		<u>(504,964)</u>	<u>922,226</u>
Net funds at 1 July		<u>2,163,943</u>	<u>1,241,717</u>
Net funds at 30 June		<u>1,658,979</u>	<u>2,163,943</u>

The notes form part of these financial statements

DOVES FARM FOODS LIMITED

NOTES TO THE CASH FLOW STATEMENT
For The Year Ended 30 June 2007

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating profit	931,915	798,284
Depreciation charges	125,067	128,911
(Profit)/Loss on disposal of fixed assets	(2,132)	823
(Increase)/Decrease in stocks	(131,020)	228,439
(Increase)/Decrease in debtors	(436,139)	13,478
Increase in creditors	86,692	125,865
Net cash inflow from operating activities	<u>574,383</u>	<u>1,295,800</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	£	£
Returns on investments and servicing of finance		
Interest received	<u>87,146</u>	<u>77,801</u>
Net cash inflow for returns on investments and servicing of finance	<u>87,146</u>	<u>77,801</u>
Capital expenditure		
Purchase of tangible fixed assets	(889,338)	(201,092)
Sale of tangible fixed assets	<u>19,714</u>	<u>1</u>
Net cash outflow for capital expenditure	<u>(869,624)</u>	<u>(201,091)</u>

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1.7.06	Cash flow	At
	£	£	30.6.07
			£
Net cash			
Cash at bank	<u>2,163,943</u>	<u>(504,964)</u>	<u>1,658,979</u>
	<u>2,163,943</u>	<u>(504,964)</u>	<u>1,658,979</u>
Total	<u>2,163,943</u>	<u>(504,964)</u>	<u>1,658,979</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2007

1 ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Assets under construction	- nil
Long leasehold	- 4% straight line
Plant and machinery	- 10 - 20% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 3 - 5 years straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Deferred tax

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

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 of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2 STAFF COSTS

	2007 £	2006 £
Wages and salaries	1,058,988	894,791
Social security costs	101,063	86,414
	<u>1,160,051</u>	<u>981,205</u>

The average monthly number of employees during the year was as follows

	2007	2006
Office and management	10	10
Production and sales	45	35
	<u>55</u>	<u>45</u>

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 30 June 2007

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2007 £	2006 £
Depreciation - owned assets	125,067	128,911
(Profit)/Loss on disposal of fixed assets	(2,132)	823
Auditors remuneration	10,206	9,975
	<u>62,616</u>	<u>53,231</u>
Directors' emoluments	<u>62,616</u>	<u>53,231</u>

4 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2007 £	2006 £
Current tax		
UK corporation tax	249,064	236,869
Tax over provision	-	(147)
Total current tax	249,064	236,722
Deferred tax	40,342	8,060
Tax on profit on ordinary activities	<u>289,406</u>	<u>244,782</u>

UK corporation tax was charged at 30% in 2006

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2007 £	2006 £
Profit on ordinary activities before tax	<u>1,019,061</u>	<u>876,085</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	305,718	262,826
Effects of		
Capital allowances in excess of depreciation	(40,342)	(8,060)
Adjustment in respect of prior period	-	(147)
Small companies relief	(16,521)	(17,897)
Ineligible capital items expensed	209	-
Current tax charge	<u>249,064</u>	<u>236,722</u>

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 30 June 2007

5 DIVIDENDS

	2007 £	2006 £
Ordinary A Share shares of £1 each		
Final	30,000	30,000
Ordinary B Share shares of £1 each		
Final	30,000	30,000
	<u>60,000</u>	<u>60,000</u>

6 TANGIBLE FIXED ASSETS

	Assets under construction £	Long leasehold £	Plant and machinery £
COST			
At 1 July 2006	11,840	228,625	1,725,489
Additions	-	594,309	168,637
Disposals	-	(4,520)	(4,749)
Reclassification/transfer	(11,840)	11,840	-
At 30 June 2007	<u>-</u>	<u>830,254</u>	<u>1,889,377</u>
DEPRECIATION			
At 1 July 2006	-	80,505	1,049,686
Charge for year	-	13,005	96,335
Eliminated on disposal	-	(4,520)	(4,749)
At 30 June 2007	<u>-</u>	<u>88,990</u>	<u>1,141,272</u>
NET BOOK VALUE			
At 30 June 2007	<u>-</u>	<u>741,264</u>	<u>748,105</u>
At 30 June 2006	<u>11,840</u>	<u>148,120</u>	<u>675,803</u>

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 30 June 2007

6 TANGIBLE FIXED ASSETS - continued

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 July 2006	72,934	38,728	2,077,616
Additions	62,495	63,897	889,338
Disposals	(67,609)	(8,849)	(85,727)
At 30 June 2007	67,820	93,776	2,881,227
DEPRECIATION			
At 1 July 2006	52,357	27,674	1,210,222
Charge for year	8,561	7,166	125,067
Eliminated on disposal	(50,027)	(8,849)	(68,145)
At 30 June 2007	10,891	25,991	1,267,144
NET BOOK VALUE			
At 30 June 2007	56,929	67,785	1,614,083
At 30 June 2006	20,577	11,054	867,394

7 STOCKS

	2007 £	2006 £
Raw materials	368,370	250,069
Finished goods	200,374	187,655
	568,744	437,724

8 DEBTORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade debtors	1,326,980	912,836
Other debtors	98,841	78,783
Prepayments and accrued income	35,999	34,062
	1,461,820	1,025,681

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade creditors	576,640	564,977
Tax	249,064	236,869
Social security and other taxes	24,542	20,803
Other creditors	83,894	65,459
Directors' current accounts	1,955	1,955
Accruals and deferred income	160,050	107,195
	1,096,145	997,258

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 30 June 2007

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2007	2006
	£	£
Expiring		
Between one and five years	55,000	55,000

11 PROVISIONS FOR LIABILITIES

	2007	2006
	£	£
Deferred tax	143,690	103,348
		Deferred tax
		£
Balance at 1 July 2006		103,348
Debited to profit and loss		40,342
Balance at 30 June 2007		143,690

12 CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid			2007	2006
Number	Class	Nominal value	£	£
10,000	Ordinary A Share	£1	10,000	10,000
10,000	Ordinary B Share	£1	10,000	10,000
			20,000	20,000

13 RESERVES

	Profit and loss account
	£
At 1 July 2006	3,374,136
Profit for the year	729,655
Dividends	(60,000)
At 30 June 2007	4,043,791

14 PENSION COMMITMENTS

The company operates a defined contribution stakeholder pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The company does not make any payments to the scheme on behalf of the employees.

DOVES FARM FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 30 June 2007

15 CAPITAL COMMITMENTS

	2007	2006
	£	£
Contracted but not provided for in the financial statements	-	100,000

16 RELATED PARTY DISCLOSURES

During the year, the company entered into transactions with the director, Mr M J Marriage trading as Doves Farm, for the purchase of organic grain to the value of £26,222 (2006 £528) The company also sold goods amounting to £10 (2006 £23,515) and recharged salaries amounting to £27,185 (2006 £23,195) to the same party All transactions were on an arms length basis At the year end the company was owed £nil (2006 £nil) by Mr M J Marriage

During the year the company occupied land and buildings owned by the directors to whom £55,000 (2006 £55,000) rent was paid

At the year end, the directors were due royalty payments of £40,225 (2006 £31,565) from the company for the use of the trademarks owned by the directors

17 ULTIMATE CONTROLLING PARTY

The company is controlled by Mr and Mrs M J Marriage, the directors of the company, who are also the company's ultimate controlling party

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	729,655	631,303
Dividends	(60,000)	(60,000)
Net addition to shareholders' funds	669,655	571,303
Opening shareholders' funds	3,394,136	2,822,833
Closing shareholders' funds	4,063,791	3,394,136