Company Registration No. 2729890

# Laurens Patisseries Limited

## Report and Financial Statements

30 December 2006

# Laurens Patisseries Limited

## Report and financial statements 2006

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# Laurens Patisseries Limited

## Report and financial statements 2006

## Officers and professional advisers

**Directors**

| | |
|---|---|
| D A Liveras | (Resigned 12 May 2006) |
| S G Roebuck | (Resigned 12 May 2006) |
| T Hassan | (Resigned 12 May 2006) |
| P C Liveras | (Resigned 12 May 2006) |
| J Punnett | (Appointed 12 May 2006) |
| A Gudmundsson | (Appointed 12 May 2006) |

**Secretary**

| | |
|---|---|
| Cornhill Secretaries Ltd | (Resigned 12 May 2006) |
| J Punnett | (Appointed 12 May 2006) |

**Registered Office**

5th Floor
3 Sheldon Square
Paddington Central
London
W2 6HY

**Bankers**

NatWest Plc
1 Market Place
Newark
NG24 1DY

**Auditors**

Deloitte & Touche LLP
Chartered Accountants
Birmingham

# Laurens Patisseries Limited

## Directors' report

The dırectors present theır annual report and the audıted financıal statements for the 45 week penod ended 30 December 2006 Comparatıves are for the 53 weeks ended 19 February 2006

### Enhanced busıness revıew and prıncıpal actıvıtıes

The pnncıpal actıvıty of the company ıs that of a chılled dessert manufacturer On 2 May 2006 the company was acquıred by Bakkavor (London) Lımıted and now forms part of the Bakkavor Group

On 10 November 2006 the company acquıred the trade and assets of Rye Valley Patıssenes Detaıls of thıs acquısıtıon are ıncluded ın note 23 There have not been any other sıgnıficant changes ın the company's prıncıpal actıvıtıes ın the penod under revıew The dırectors are satısfied wıth the results and achıevements ın the penod to 30 December 2006 and belıeve that the future prospects of the company are sound

The company has an ongoıng research and product development programme supported by dedıcated personnel and facılıtıes Each year the company ıntroduces new products ınto ıts range

As shown ın the company's ıncome statement on page 9, the company's sales amountıng to £78,326,423, (Feb 2006 £74,077,981) have ıncreased by 5 7% over the pnor penod (3 0% adjustıng for the effect of the acquısıtıon ın the penod)

The profit for the penod, after taxatıon, amounted to £10,344,504 (Feb 2006 £9,730,485) Ordınary dıvıdends of £nıl (Feb 2006 £6,565,000) were paıd durıng the penod

EBITDA (Earnıngs before ınterest depreciatıon and amortısatıon) of £17,401,386 has remaıned relatıvely statıc compared to the pnor penod (Feb 2006 £17,497,297)

The maın growth wıthın the busıness ın the current year has come from wınnıng new busıness from competıtors and new product launches The acquısıtıon of Rye Valley Patıssenes Novemeber 2006 has also contnbuted towards the growth ın revenue (see note 23)

The balance sheet on page 10 of the financıal statements shows shareholder's funds amountıng to £24,344,882 (Feb 2006 £14,000,378) The company's financıal posıtıon, ın cash terms, at the penod end ıs sıgnıficantly hıgher than the pnor penod as a result of the ıncreased fundıng ın the penod from related partıes Detaıls of amounts owed to related partıes are shown ın balance sheet

Detaıls of sıgnıficant events sınce the balance sheet date are contaıned ın note 25 to the financıal statements

The Bakkavor Group hf (The parent company ınto whose financıal statements the results of the company are consolıdated) manages ıts operatıons on a segmental basıs The busıness of the company falls wıthın the 'hot eats' segment The performance of these segments ıs dıscussed ın the busıness revıew of the Bakkavor Group hf accounts, and for thıs reason the company dırectors belıeve that further key performance ındıcators for the company are not necessary for an understandıng of the development, performance or posıtıon of the busıness

### Prıncıpal rısks and uncertaıntıes

Competıtıve pressure ın the UK ıs a contınuıng nsk for the company, whıch could result ın ıt losıng sales to ıts key competıtors The company manages thıs nsk by contınually revıewıng our cost base and ımprovıng our efficıency, qualıty and purchasıng

# Laurens Patisseries Limited

# Directors' report

**Principal risks and uncertainties (continued)**

The company's activities expose it to a number of financial risks as follows

*Credit risk*

The company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables, the directors consider that the carrying value of these assets represents their recoverable amount

The company has no significant concentration of credit risk, with exposure spread over a large number of customers

Credit risk in respect of cash holdings is managed through the use of group cash pooling facilities and the placement of any surplus funds in short term interest bearing deposits

*Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company maintains sufficient cash reserves Group banking arrangements help ensure that this is the case

*Interest rate risk*

The company is financed by inter-company debt and finance leases It manages its interest rate exposure by entering into leases with both fixed and floating rates of interest

*Foreign currecy risk*

The company enters into a limited number of transactions denominated in euros These transactions are settled at spot rates Foreign currency risk is not considered to be significant and therefore there is no specific policy to manage this risk

Group risks are discussed in the Bakkavor Group hf Annual Report and Accounts, which does not form part of this report

**Environment**

The Bakkavor Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activites The company operates in accordance with group policies which are described in the Bakkavor Group hf Annual Report and Accounts, which does not form part of this report Initiatives designed to minimise the company's impact on the environment include the following

1 Carrying out an Enviromental initial review (to ISO 14001 – Environmental Management Systems Standard) which will formalise individual departmental activity and co-ordinate the development of an Enviromental Management System.

2 Establish an Environmental Action Team

3 Initiate Environment Training and awareness

# Laurens Patisseries Limited

## Directors' report

### Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements

#### *Disabled employees*

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

#### *Employee Consultation*

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings, the intranet and a special edition for employees of the annual financial statements Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests In addition, all employees receive an annual bonus related to the overall profitability of the company

### Supplier payment policy

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment Trade payables of the company at 30 December 2006 were equivalent to 38 (Feb 2006 – 37) days' purchases, based on the average daily amount invoiced by suppliers during the year

### Charitable and political contributions

During the year the company made charitable donations of £44,320 (Feb 2006 £35,603) principally to local charities serving the communities in which the company operates

### Directors and their interests

The directors who served throughout the year except as noted, were as follows

| | |
|---|---|
| D A Liveras | (Resigned 12 May 2006) |
| S G Roebuck | (Resigned 12 May 2006) |
| T Hassan | (Resigned 12 May 2006) |
| P C Liveras | (Resigned 12 May 2006) |
| J Punnett | (Appointed 12 May 2006) |
| A Gudmundsson | (Appointed 12 May 2006) |

During 2006, the Company entered into indemnity deeds containing "qualifying third party indemnity provisions", as defined in section 309B of the Companies Act 1985, with all directors in respect of certain liabilities which may attach to them in their capacity as directors or former directors of the Company These provisions remain effective to the date of signing the accounts

# Laurens Patisseries Limited

## Directors' report

The interests of A Gudmundsson in the shares of the ultimate parent company, who was also a Director of Bakkavor Group hf the ultimate parent company, are set out in that company's Annual Report and Accounts

The Directors had no other disclosable interests

### Auditors

Each of the persons who is a director at the date of approval of these financial statements confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

A Gudmundsson
Director

2 May 2007

# Laurens Patisseries Limited

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs However, directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping proper accounting records that 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 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

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

# Independent auditors' report to the members of Laurens Patisseries Limited

We have audited the financial statements of Laurens Patisseries Limited for the 45 weeks ended 30 December 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 28 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 International Financial Reporting Standards as adopted by the European Union are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 whether the financial statements have been properly prepared in accccordance with the Companies Act 1985 We also report to you whether, in our opinion, the information in the directors' report is consistent with the financial statements, if 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 transactions with the company is not disclosed

We read the directors' report and the other information contained in the financial statements for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any further information outside the financial statements

**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

## Independent auditors' report to the members of Laurens Patisseries Limited (continued)

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 December 2006 and of its profit for the period then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

**Deloitte & Touche LLP**
Chartered Accountants and Registered Auditors

Birmingham

2 May 2007

## Laurens Patisseries Limited

# Income statement
# 45 weeks ended 30 December 2006

| | Note | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|---|
| **Revenue** | 5 | 78,326,423 | 74,077,981 |
| Cost of sales | | (46,350,412) | (45,245,313) |
| **Gross profit** | | 31,976,011 | 28,832,668 |
| Other operating income | | 25,684 | 10,183 |
| Administrative expenses | | (16,606,502) | (14,187,371) |
| **Operating profit** | | 15,395,193 | 14,655,480 |
| Investment revenues | 5 | 70,315 | - |
| Finance costs | 9 | (567,004) | (699,997) |
| | | (496,689) | (699,997) |
| **Profit before taxation** | | 14,898,504 | 13,955,483 |
| Tax | 10 | (4,554,000) | (4,224,998) |
| **Net profit attributable to equity holders** | 21 | 10,344,504 | 9,730,485 |

All results relate to continuing operations

The accompanying notes are an integral part of this income statement

# Statement of changes in equity
# 45 weeks ended 30 December 2006

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Balance at beginning of period | 14,000,378 | 10,834,893 |
| Dividends paid | - | (6,565,000) |
| Net profit for the year | 10,344,504 | 9,730,485 |
| Balance at 19 February 2006 | 24,344,882 | 14,000,378 |

Equity comprises share capital and retained earnings

## Laurens Patisseries Limited

## Balance sheet
## 30 December 2006

| | Note | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 12 | 2,604,000 | - |
| Other intangible assets | 13 | - | 740,777 |
| Property, plant and equipment | 14 | 30,339,914 | 26,014,292 |
| | | 32,943,914 | 26,755,069 |
| **Current assets** | | | |
| Inventories | 15 | 1,770,072 | 1,445,857 |
| Trade and other receivables | 16 | 15,850,385 | 8,987,953 |
| Cash and cash equivalents | 16 | 3,385,532 | 1,916 |
| | | 21,005,989 | 10,435,726 |
| **Total assets** | | 53,949,903 | 37,190,795 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | 11,829,504 | 7,543,061 |
| Amounts due to related parties | 26 | 6,585,502 | - |
| Current tax liabilities | 19 | 1,754,272 | 2,003,479 |
| Obligations under finance leases | 17 | 2,038,291 | 1,915,633 |
| Bank overdrafts and loans | 17 | - | 5,231,611 |
| | | 22,207,569 | 16,693,784 |
| **Net current assets** | | (1,201,580) | (6,258,058) |
| **Non-current liabilities** | | | |
| Bank loans | 17 | - | 570,049 |
| Deferred tax liabilities | 18 | 2,370,000 | 2,070,000 |
| Obligations under finance leases | 17 | 5,027,452 | 3,856,584 |
| | | 7,397,452 | 6,496,633 |
| **Net assets** | | 24,344,882 | 14,000,378 |

# Laurens Patisseries Limited

## Balance sheet
## 30 December 2006

| | Note | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 20 | 500,000 | 500,000 |
| Retained earnings | 21 | 23,844,882 | 13,500,378 |
| **Total equity** | | 24,344,882 | 14,000,378 |

The financial statements were approved by the Board of Directors on 2 May 2007

Signed on behalf of the Board of Directors

A Gudmundsson
Director

The accompanying notes are an integral part of this balance sheet

## Laurens Patisseries Limited

## Cash flow statement
## 45 weeks ended ended 30 December 2006

| | Note | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|---|
| **Net cash from operating activities** | 22 | 11,368,626 | 12,700,910 |
| **Investing activities** | | | |
| Interest received | | 70,315 | - |
| Proceeds on disposal of property, plant and equipment | | 175,002 | 19,595 |
| Purchases of property, plant and equipment | | (5,842,016) | (4,892,171) |
| Acquisition of business | | (3,250,000) | - |
| Acquisition of intangible assets | | (40,771) | (237,160) |
| **Net cash used in investing activities** | | (8,887,470) | (5,109,736) |
| Dividends paid | | - | (6,565,000) |
| Repayment of borrowings | | (3,614,729) | (1,762,324) |
| Repayment of obligations under finance leases | | (1,679,115) | (2,004,883) |
| Increase in loans and finance leases | | 9,972,641 | 2,491,993 |
| Interest paid | | (439,406) | (678,141) |
| **Net cash (used in)/from financing activities** | | 4,239,391 | (8,518,355) |
| **Net increase/(decrease) in cash and cash equivalents** | | 6,720,547 | (927,181) |
| **Cash and cash equivalents at beginning of period** | | (3,335,015) | (2,407,834) |
| **Cash and cash equivalents at end of year** | | 3,385,532 | (3,335,015) |
| Cash and cash equivalents comprises | | | |
| Cash at bank | | 3,385,532 | 1,916 |
| Bank overdrafts | | - | (3,336,931) |
| | | 3,385,532 | (3,335,015) |

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 1. General information

Laurens Patisseries Limited is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is given on page 1 The nature of the company's operations and its principal activities are set out in the Directors' Report

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

| | |
|---|---|
| IFRS 7 | *Financial instruments disclosures* |
| IFRS 8 | *Operating segments* |
| IFRIC 7 | *Applying the restatement approach under IAS 29* |
| IFRIC 8 | *Scope of IFRS 2* |
| IFRIC 9 | *Reassessment of embedded derivatives* |
| IFRIC 10 | *Interim financial reporting and impairment* |
| IFRIC 11 | *IFRS 2 group and treasury share transactions* |
| IFRIC 12 | *Service concession arrangements* |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007

## 2. Significant accounting policies

**Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRSs are given in note 29 The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments The principal accounting policies adopted are set out below

The company is exempt from preparing group accounts under s228 of Companies Act 1985 as it is a wholly owned subsidiary of Bakkavor Invest Limited and is included in the consolidated accounts of that company Therefore, these financial statements present information about the company and not its group

**Accounting convention**

The financial statements are prepared under the historical cost convention

# Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

**2. Significant accounting policies (continued)**

**Research and development**

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from the company's product development is recognised only if all of the following conditions are met

- an asset is created that can be identified (such as software and new processes),
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

**Operating profit**

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes

Sales of goods are recognised when goods are delivered and title has passed

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

**Property, plant and equipment**

All property, plant and equipment is recorded at cost less accumulated depreciation and any recognised provision for impairment

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

| | | |
|---|---|---|
| Freehold buildings | - | 2% to 5% per annum straight line |
| Leasehold improvements | - | over the term of the lease |
| Plant and equipment | - | 5% to 33% per annum straight line |

Most plant and equipment is written off over 12 years (8 33%) Freehold land is not depreciated

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

## Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

**2. Significant accounting policies (continued)**

**Inventories**

Inventories are stated at the lower of cost and net realisable value Cost comprises direct materials and, where applicable,direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition Cost is calculated using the weighted average method Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

**Leasing transactions**

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2 **Significant accounting policies (continued)**

**Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme

**Business combinations**

The acquisition of a business is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If, after reassessment, the company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss

**Goodwill**

Goodwill arising represents the excess of the cost of acquisition over the company's interest in the fair value of the identifiable assets and liabilities of business acquired at the date of acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately in profit or loss and is not subsequently reversed

For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

**2 Significant accounting policies (continued)**

**Impairment of tangible and intangible assets excluding goodwill (continued)**

current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase

**Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument

***Trade receivables***

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

***Financial liabilities and equity***

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

*Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

***Trade payables***

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

# Notes to the accounts
## 45 weeks ended 30 December 2006

2. **Significant accounting policies (continued)**

**Financial instruments (continued)**

***Equity instruments***

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

**Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

**Foreign currencies**

The financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency) For the purpose of the financial statements, the results and financial position of the company are expressed in pounds sterling, which is the functional currency of the Company

In preparing the financial statements of the company transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity

3. **Accounting estimates and judgements**

**Critical accounting judgements and key sources of estimation uncertainty in applying the company's accounting policies**

The preparation of the financial statements in conformity with adopted IFRS requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year then ended Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances Actual results may differ from those estimates

Estimates are used in the accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes and contingencies Estimates and assumptions are reviewed periodically and effects of revisions are reflected in the financial statements in the period that an adjustment is determined to be required

3 **Accounting estimates and judgments (continued)**

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value

The carrying amount of goodwill at the balance sheet date was £2,604,000 No impairment was considered necessary

4. **Segmental results**

All of the company's revenue and results were derived from the completion of it's principle activity within the UK Accordingly, no segmental analysis of results is presented

5. **Revenue**

**Trading revenue**

Turnover, which excludes value added tax, represents the net invoiced value of services relating to the principal activity of the company, provided to UK customers

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Sale of goods | 78,326,423 | 74,077,981 |

**Investment revenue**

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Interest on bank deposits | 70,315 | - |

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 6. Profit for the year

Profit for the period is stated after charging/(crediting)

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Depreciation of owned property, plant and equipment | 1,899,684 | 2,464,885 |
| Amortisation of intangible assets included in other operating expenses | 106,509 | 376,931 |
| Loss/(profit) on disposal of property, plant and equipment | 634,500 | (6,536) |
| Loss/(profit) on write-off of intangible assets | 358,248 | - |
| Write-down of inventories | 75,000 | - |
| Staff costs (see note 7) | 17,884,372 | 17,702,845 |

The analysis of auditors' remuneration is as follows

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| **Fees payable to the company's auditors for the audit of the company's annual accounts** | 13,935 | 19,324 |
| **Fees payable to the company's auditors and their associates for other services to the company** | | |
| - Tax services | 11,171 | 4,654 |
| Total non-audit fees | 11,171 | 4,654 |

## 7. Staff costs

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Wages and salaries | 16,611,809 | 16,346,715 |
| Social security costs | 1,268,669 | 1,314,521 |
| Other pension costs | 3,894 | 41,609 |
| | 17,884,372 | 17,702,845 |

# Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

7. **Staff costs (contınued)**

The monthly average number of employees durıng the perıod was as follows

| | 45 weeks ended 30 December 2006 | 53 weeks ended 19 February 2006 |
|---|---|---|
| Productıon staff | 1,204 | 963 |
| Admınıstratıve staff | 112 | 108 |
| | 1,316 | 1,071 |

8. **Dırectors emoluments**

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Emoluments | 98,011 | 966,001 |

The amounts ın respect of the hıghest paıd dırector are as follows

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 20056 £ |
|---|---|---|
| Emoluments | 65,346 | 858,859 |

The emoluments of the current Dırectors, ıncludıng the hıghest paıd Dırector, are for theır servıces to the Group as a whole It ıs not practıcable to apportıon theır emoluments for theır servıces to thıs Company for whıch no dırect charge ıs made to the Company The emoluments of A Gudmundsson who ıs a dırector of Bakkavor Group hf are shown ın that Company's accounts, whıch does not form part of thıs report

9. **Fınance costs**

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Interest on bank overdrafts and loans | 244,490 | 366,601 |
| Interest on oblıgatıons under fınance leases | 322,514 | 333,396 |
| Total borrowıng costs | 567,004 | 699,997 |

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 10. Tax

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Current tax | | |
| UK corporation tax | 4,254,000 | 3,990,998 |
| Total current tax | 4,254,000 | 3,990,998 |
| Deferred tax | 300,000 | 234,000 |
| | 4,554,000 | 4,224,998 |

The charge for the year can be reconciled to the profit per the income statement as follows

| | 45 weeks ended 30 December 2006 £ | % | 53 weeks ended 19 February 2006 £ | % |
|---|---|---|---|---|
| **Profit before tax** | 14,898,504 | 100 | 13,955,483 | 100 |
| Tax at the UK corporation tax rate of 30% (Feb 2006 30%) | 4,469,551 | 30 | 4,186,645 | 30 |
| Tax effect of expenses that are not deductible in determining taxable profit | 84,449 | 1 | 33,524 | - |
| Tax on prior periods | - | | 4,829 | |
| **Tax expense and effective tax rate for the year** | 4,554,000 | 31 | 4,224,998 | 30 |

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 11. Dividends

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period | | |
| Final dividend for the period ended 30 December 2006 of nil p (Feb 2006 1,313p) per share | - | 6,565,000 |

## 12. Goodwill

| | £ |
|---|---|
| **Cost** | |
| At 20 February 2006 | |
| Recognised on acquisition of a business (note 23) | 2,604,000 |
| At 30 December 2006 | 2,604,000 |
| **Accumulated impairment losses** | |
| At 20 February 2006 and 30 December 2006 | - |
| **Carrying amount** | |
| At 30 December 2006 | 2,604,000 |
| At 19 February 2006 | - |

The Company tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired In view of the proximity of the acquisition of Rye Valley Patisseries Limited to the year end, an impairment review has been not been completed as an 31st December 2006, in accordance with the requirements of IAS 36

# Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

**13. Other intangible assets**

| | Research & Development £ | Carton Origination £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 14 February 2005 | 1,312,854 | 1,566,483 | 2,879,337 |
| Additions | 104,000 | 133,161 | 237,161 |
| At 19 February 2006 | 1,416,854 | 1,699,644 | 3,116,498 |
| Additions | - | 40,771 | 40,771 |
| Written off during period | (1,416,854) | (1,740,415) | (3,157,269) |
| At 30 December 2006 | - | - | - |
| **Amortisation** | | | |
| At 14 February 2005 | 872,806 | 1,125,982 | 1,998,788 |
| Charge for the period | 188,391 | 188,542 | 376,933 |
| At 19 February 2006 | 1,061,197 | 1,314,524 | 2,375,721 |
| Written off during period | 52,915 | 53,594 | 106,509 |
| Disposal | (1,114,112) | (1,368,118) | (2,482,230) |
| At 30 December 2006 | - | - | - |
| **Carrying amount** | | | |
| At 30 December 2006 | - | - | - |
| At 19 February 2006 | 355,657 | 385,120 | 740,777 |

All intangible assets were written off during the period Following th acquisition of the company by the Bakkavor Group hf during the year, management concluded that the assets were not capable of generating future benefit for the entity

# Laurens Patisseries Limited

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 14. Property, plant and equipment

| | Land and buildings £ | Fixtures and equipment £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 14 February 2005 | 13,099,745 | 19,993,404 | 33,093,149 |
| Additions | 1,229,314 | 3,901,820 | 5,131,134 |
| Disposals | - | (107,038) | (107,038) |
| At 19 February 2006 | 14,329,059 | 23,788,186 | 38,117,245 |
| Additions | 3,460,380 | 2,381,636 | 5,842,016 |
| Acquisition of business | - | 876,000 | 876,000 |
| Disposals | - | (2,692,118) | (2,692,118) |
| At 30 December 2006 | 17,789,439 | 24,353,704 | 42,143,143 |
| **Accumulated depreciation and impairment** | | | |
| At 14 February 2005 | 1,264,265 | 8,467,783 | 9,732,048 |
| Charge for the year | 270,736 | 2,194,148 | 2,464,884 |
| Eliminated on disposals | | (93,979) | (93,979) |
| At 19 February 2006 | 1,535,001 | 10,567,952 | 12,102,953 |
| Charge for the year | 248,909 | 1,650,775 | 1,899,684 |
| Eliminated on disposals | - | (2,199,408) | (2,199,408) |
| At 30 December 2006 | 1,783,910 | 10,019,319 | 11,803,229 |
| **Carrying amount** | | | |
| At 30 December 2006 | 16,005,529 | 14,334,385 | 30,339,914 |
| At 19 February 2006 | 12 794,058 | 13,220,234 | 26,014,292 |

The carrying amount of the company's fixtures and equipment includes an amount of £ 8,368,709 (Feb 2006 £7,884,164) in respect of assets held under finance leases

At 30 December 2006, the company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2,810,000 (Feb 2006 £nil)

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 15. Inventories

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Raw materials | 1,540,412 | 1,260,862 |
| Work in progress | 3,361 | 17,514 |
| Finished goods | 226,299 | 167,481 |
| | 1,770,072 | 1,445,857 |

## 16 Other financial assets

### Trade and other receivables

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Amounts receivable from trade customers | 12,642,344 | 8,082,049 |
| Other debtors | 1,162,883 | 515,561 |
| Prepayments and accrued income | 2,045,158 | 390,343 |
| | 15,850,385 | 8,987,953 |

The average credit period taken on sales of goods is 41 days No interest is charged on the receivables An allowance has been made for estimated irrecoverable amounts from the sale of goods of £nil (2005 £nil) This allowance has been determined by reference to past default experience

The directors consider that the carrying amount of trade and other receivables approximates their fair value

### Cash and cash equivalents

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Cash and cash equivalents | 3,385,532 | 1,916 |

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less The carrying amount of these assets approximates their fair value

# Notes to the accounts
# 45 weeks ended 30 December 2006

**17. Other financial assets (continued)**

**Credit risk**

The company's principal financial assets are bank balances and cash, trade and other receivables

The company's credit risk is primarily attributable to its trade and finance lease receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

## Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

**17. Fmancial liabilities**

**Bank overdraft and loans**

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Bank overdrafts | - | 3,336,931 |
| Bank loans – current portion due in less than 12 months | - | 1,894,680 |
| | - | 5,231,611 |
| Bank loans – amounts due in more than one year | - | 570,049 |
| | - | 5,801,660 |

**Obligations under finance leases**

| | Minimum lease payments | | Present value of lease payments | |
|---|---|---|---|---|
| | 2006 £ | 2005 £ | 2006 £ | 2005 £ |
| Amounts payable under finance leases | | | | |
| Within one year | (2,847,492) | (2,455,105) | (2,038,291) | (1,915,633) |
| In the second to fifth years inclusive | (5,734,764) | (4,870,633) | (5,027,452) | (3,856,582) |
| After five years | | - | | - |
| | (8,582,256) | (7,325,738) | (7,065,743) | (5,772,215) |
| Less future finance charges | 1,516,513 | 1,553,523 | n/a | n/a |
| Present value of lease obligations | (7,065,743) | (5,772,215) | | |
| Less Amount due for settlement within 12 months (shown under current liabilities) | | | (2,038,291) | (1,915,633) |
| Amount due for settlement after 12 months | | | (5,027,452) | (3,856,582) |

It is the company's policy to lease certain of its fixtures and equipment under finance leases The average lease term is 5 years For the 45 weeks ended 30 December 2006, the average effective borrowing rate was 5 55 % (2005 5 42 %) Interest rates are fixed at the contract date All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

All lease obligations are denominated in sterling

The fair value of the company's lease obligations approximates their carrying amount

The company's obligations under finance leases are secured by the lessors' rights over the leased assets

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 18 Deferred tax

The followmg are the major deferred tax habilities and assets recognised by the company and movements thereon durmg the current and prior reportmg penod

| | Accelerated tax depreciation £ |
|---|---|
| At 14 February 2005 | 1,836,000 |
| Charge to income | 234,000 |
| At 19 February 2006 | 2,070,000 |
| Charge/(credit) to income | 300,000 |
| As 30 December 2006 | 2,370,000 |

Certain deferred tax assets and liabilities have been offset The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Deferred tax liabilities | 2,370,000 | 2,070,000 |

# Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

**19. Other financial liabilities**

**Trade and other payables**

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Trade payables | 6,325,215 | 4,455,154 |
| Other taxation and social security costs | 526,716 | 700,597 |
| Other creditors | 249,242 | 211,425 |
| Accruals and deferred income | 4,728,331 | 2,175,885 |
| | 11,829,504 | 7,543,061 |
| Corporation tax | 1,754,272 | 2,003,479 |
| | 13,583,776 | 9,546,540 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 38 days

The directors consider that the carrying amount of trade payables approximates to their fair value

## Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

**20. Share capital**

| **Authorised** | **30 December 2006 £** | **19 February 2006 £** |
|---|---|---|
| Ordinary shares of £1 each | 500,000 | 500,000 |

| **Allotted, called-up and fully paid** | **30 December 2006 No** | **30 December 2006 £** | **19 February 2006 No** | **19 February 2006 £** |
|---|---|---|---|---|
| Ordinary shares of £1 each | 500,000 | 500,000 | 500,000 | 500,000 |

**21. Retained earnings**

| | **£** |
|---|---|
| Balance at 14 February 2005 | 10,334,893 |
| Dividends paid | (6,565,000) |
| Net profit for the year | 9,730,485 |
| Balance at 19 February 2006 | 13,500,378 |
| Net profit for the year | 10,344,504 |
| Balance at 30 December 2006 | 23,844,882 |

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 22. Notes to the cash flow statement

| | 45 weeks ended 30 December 2006 £'000 | 53 weeks ended 19 February 2006 £'000 |
|---|---|---|
| Operating profit for the year | 15,395,193 | 14 655,480 |
| Adjustments for | | |
| Depreciation of property, plant and equipment | 1,899,682 | 2,464,885 |
| Impairment loss on property, plant and equipment | | |
| Amortisation of intangible assets | 106,510 | 376,931 |
| Gain on disposal of property, plant and equipment | 634,500 | (6,536) |
| Gain on disposal of intangible assets | 358,248 | - |
| | 18,394,133 | 2,835,280 |
| Operating cash flows before movements in working capital | | |
| Decrease/ (increase) in inventories | 35,784 | (225,270) |
| Decrease/(increase) in receivables | (6,862,432) | (2,122,337) |
| Increase/(decrease) in payables | 4,304,349 | 951,933 |
| Cash generated by operations | 15,871,834 | 16,095,086 |
| Income taxes paid | (4,503,208) | (3,394,176) |
| Net cash from operating activities | 11,368,626 | 12,700,910 |

Additions to fixtures and equipment during the year amounting to £2,972,641 were financed by new finance leases

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less

# Notes to the accounts
# 45 weeks ended 30 December 2006

**23. Acquisitions**

On 10 November 2006, the company acquired the trade and assets of Rye Valley Patisseries for cash consideration of £3,250,000 The company is involved in the manufacture of chilled desserts

| | Book & fair value £ |
|---|---|
| Net assets acquired | |
| Property, plant and equipment | 876,000 |
| Inventories | 360,000 |
| Trade and other payables | (590,000) |
| | 646,000 |
| Goodwill | 2,604,000 |
| Total consideration | 3,250,000 |
| Satisfied by | |
| Cash | 3,250,000 |
| | 3,250,000 |
| Net cash outflow arising on acquisition | |
| Cash consideration | 3,250,000 |
| | 3,250,000 |

The goodwill arising on the acquisition of the trade and assets of Rye Valley Patisseries is attributable to the anticipated profitability of the distribution of the company's products and the anticipated future operating synergies from the combination

Post acquisition, the operations of the Rye Valley Patisseries business have contributed revenue of £2,047,000 and an operating loss of £147,000 to the company's financial results

If the acquisition of Rye Valley Patisseries had been completed on the first day of the financial year, company revenues for the period would have been £89,392,423 and company profit attributable to equity holders of the parent would have been £10,765,504

# Laurens Patisseries Limited

## Notes to the accounts
## 45 weeks ended 30 December 2006

### 24. Operating lease arrangements

| | 45 weeks ended 30 December 2006 £ | 53 weeks ended 19 February 2006 £ |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | 191,626 | 188,867 |

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

| | 30 December 2006 £ | 19 February 2006 £ |
|---|---|---|
| Within one year | 219,813 | 195,996 |
| In the second to fifth years inclusive | 819,058 | 1,096,476 |
| After five years | 709,852 | - |
| | 1,748,723 | 1,292,472 |

Operating lease payments represent rentals payable by the company for plant and machinery Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years

### 25. Events after the balance sheet date

There have been no material post balance sheet events which would require additional disclosure or adjustment to the financial statements for the period ended 30 December 2006

# Notes to the accounts
# 45 weeks ended 30 December 2006

## 26 Related party transactions

### Trading transactions

During the year, the company entered into the following transactions with related parties

| | Sale of goods | | Purchase of goods | | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Bakkavor (London) Limited | - | - | - | - | - | - | 6,085,502 | - |
| Bakkavor Foods Limited | - | - | - | - | - | - | 500,000 | - |
| | - | - | - | - | - | - | 6,585,502 | - |

Bakkavor (London) Limited and Bakkavor Foods Limited are related parties of the company because they are part of the Bakkavor Group

The amounts outstanding are unsecured and will be settled in cash No guarantees have been given or received No provisions have been made for doubtful debts in respect of the amounts owed by related parties

### Remuneration of key management personnel

The remuneration of the directors and senior management, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures* Further information about the remuneration of directors of the company is provided in note 7 to the financial statements

| | 30 December 2006 | 19 February 2006 |
|---|---|---|
| | £ | £ |
| Short-term employee benefits | 261,020 | 674,749 |

## 27. Controlling party

The company's ultimate parent company and ultimate controlling party is Bakkavor Group hf, a company registered in Iceland The largest group in which the results of the company are consolidated is that headed by Bakkavor Group hf It has included the company in its Group financial statements, copies of which are available from Hamraborg, 200 Kopavoger, Iceland

The directors consider Bakkavor (London) Limited to be the immediate parent company

## 28. Transition to International Financial Reporting Standards

Laurens Patisseries Limited has adopted International Financial Reporting Standards (IFRSs) as adopted by the EU with effect from 15 February 2005, with a transition date of 20 February 2006 There are no material adjustments to the income statement, balance sheet or cash flow as a result of this