

Company Registration No. 23572 (Scotland)

Baxters Food Group Limited

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Annual Report
For the year ended 30 May 2009

BAXTERS FOOD GROUP LIMITED
DIRECTORS AND ADVISERS

Executive Chairman	Audrey C Baxter DBA
Chief Executive	William King
Directors	Andrew G Baxter BSc Nicholas Wheeler Andrew Mutton Kerr Arthur
Secretary	Peter McLuckie
Company number	23572 (Scotland)
Registered office	Highfield House Fochabers Moray IV32 7LD
Registered auditors	Johnston Carmichael Bishop's Court 29 Albyn Place Aberdeen AB10 1YL
Solicitors	Burness 50 Lothian Road Festival Square Edinburgh EH3 9WJ

BAXTERS FOOD GROUP LIMITED

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BAXTERS FOOD GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 MAY 2009

The directors present their report and financial statements for the year ended 30 May 2009.

Directors

The following directors have held office since 1 June 2008:

Audrey C Baxter DBA
Andrew G Baxter BSc
William King
Nicholas Wheeler
Andrew Mutton
Kerr Arthur
Alan Dickson (resigned 23 January 2009)
James Hepburn (resigned 9 June 2008)

Principal activities

Baxters Food Group Limited is a private company headquartered in the Highlands of Scotland. The company and its subsidiaries are manufacturers of high quality ambient food, supplying retail and foodservice customers in the UK market and key overseas markets.

High quality foods such as soups, savoury sauces, sour pickles, sweet sauces, preserves and salad and meat accompaniments are sold under a variety of brands owned by, or licensed to, the Baxters Food Group.

This family company has an ethos of creativity, innovation and integrity which lies at the heart of all its operations.

BAXTERS FOOD GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 MAY 2009

Review of the business

Our results reflect a significant recovery in our group's performance year on year. This recovery is only partial and we are still operating below our EBIT and EBITDA results of two years ago. The continuing economic recession means that we do not anticipate returning to historic performances for another 12 months.

During the year, we have consolidated our North American operations and fully integrated our successful Australian acquisition. We did not acquire further, but concentrated on the recovery of core operations and margins. With this backdrop, turnover grew 5.7% to £124M (2008: £117.3M) gross profit grew 5.8% to £47.7M (2008: £45.1M) and operating profit grew to £6.9M from £1.2M last year. We also placed increased importance on good working capital management, which ensured continued positive cash balances, whilst reducing our debt in advance of the agreed schedules. This vital work will continue as aggressively as possible during our next year, as we continue the process of strengthening our balance sheet.

Input prices have continued to rise in all our factories and whilst there are signs that the costs of some raw materials are starting to stabilise, the cost of packaging and capital will continue to rise during the forthcoming year. Factory gate prices must rise to accommodate this and whilst we constantly strive to improve efficiency and best use of trading funds, it is unlikely we will be able to absorb these significant inflationary affectors to our cost base.

With the successful completion of the integration of our Australian acquisition and the Canadian plant developments complete, we now plan further overseas development. This will not be reflected in further capital expenditure, but rather, key trade building initiatives and sourcing and completing a planned further acquisition. We have also commenced a review of our Central European business, which constantly performs well against our targets. It is likely that this review will drive us to consider a number of options to fast-track growth.

During the year, we completed a refreshment exercise for our total UK soup range. This included recipe development and elimination, as well as new packaging design for all sub ranges except Deli soups. An excellent piece of work that will be fully in store for Autumn '09. We will now turn our attention to our Canadian ranges and the UK side-of-plate product portfolio. The side-of-plate project will transfer well to Australia as we commission our new bottling plant in Melbourne. We anticipate a number of product launches to the Australasian market in the year ahead.

Retail sales have increased by 10.2% during the year, reflecting the inclusion of two new branches for the full year, a credible performance against a retail market contracted well ahead of all economists' expectations. Margins have not grown, but contracted and that has pushed us into significant cost control activity. With regret, we have had to reduce headcount substantially and consolidate our management team. Although times are uncertain in Retail, we believe we have completed this consolidation. We do not plan any expansion to our estate in the next 12 months.

The pension scheme liability has increased from £0.5M net to £2.4M net. This is largely due to the decline in value of the pension scheme assets, particularly the scheme's equity investments as a result of the downturn in the global economy. The directors remain fully aware of the long term nature of this liability and are working closely with the scheme's trustees and advisers to reduce the liability. The group continues to make additional contributions of £0.6M per annum in line with our recovery plan.

A modest rise in dividends, reflect an increase for our Trust to meet tax obligations. Regrettably, we were unable to make any significant contributions to charity this year; £4,546 (2008: £141,059) but we intend to restart the process of modestly supporting local charities in the forthcoming year. The Baxter Foundation continues to be our vehicle to undertake this work.

The many challenges we faced last year remain, but, we are much better placed to deal with them, having partially recovered to normal performance during the year. Our management teams believe strongly in our product portfolio and look forward to the challenges that await us during the next 12 months.

BAXTERS FOOD GROUP LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 MAY 2009

Financial risk management

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the group's board of directors, who provide direction on the use of financial derivatives to manage the above risks. The group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The group's activities expose it to limited financial risks of changes in foreign currency exchange rates. Where feasible, these risks are minimised by establishing purchasing agreements in similar currencies and by using forward contracts.

Interest is fixed for 3 to 6 months on bearing assets and liabilities to ensure certainty of cash flows.

Credit risk

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

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when 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.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Price risk

The group is exposed to commodity price risk. The group does not manage its exposure to commodity price risk due to cost benefit consideration but looks to pass increased costs to customers as appropriate.

BAXTERS FOOD GROUP LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 MAY 2009

Results and dividends

	2009	2008
	£000	£000
Profit on continuing operations, prior to exceptional items, FRS 17 adjustments, finance charges (net) and taxation, amounted to	6,069	4,554
Exceptional items – continuing operations (refer to note 3 to the consolidated financial statements)	-	(3,544)
Profit on continuing operations, before FRS 17 adjustments, finance charges (net) and taxation, amounted to	6,069	1,010
Loss on discontinued operations, prior to exceptional items amounted to	-	(257)
Exceptional items – discontinued operations (refer to note 4 to the consolidated financial statements)	-	794
Profit on ordinary activities, before FRS 17 adjustments, finance charges (net) and taxation, amounted to	6,069	1,547
FRS 17 adjustments	1,025	790
Finance charges (net)	(2,063)	(2,105)
Profit on ordinary activities, before taxation, amounted to	5,031	232
The taxation charge thereon amounted to	(2,326)	(855)
Leaving a profit/(loss) on ordinary activities, after taxation of	2,705	(623)
Dividend paid in the period	(1,158)	(1,050)
Leaving a retained profit/(loss) of	1,547	(1,673)

The Directors have proposed a final dividend in respect of year ended 30 May 2009 amounting to £1,500,000 (2008: £1,050,000). This will be recommended to the shareholders at the company's Annual General Meeting. In accordance with FRS 21, the proposed dividend has not been accrued in the financial statements.

BAXTERS FOOD GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

Staff policies

The group places considerable value on the contribution of its employees and therefore continues to encourage the development of employee involvement group companies. Management meet regularly with employees to discuss matters of mutual interest and to provide opportunities for employees to contribute to the success of the business.

Employee communications are high priority and regular briefing meetings, together with the use of e-mail and notice boards, ensure all employees are informed about matters of concern to them.

The group's policy is that where it is reasonable and practical within existing legislation, all employees, including those who are disabled, are treated in the same way in matters relating to employment, training, career development and promotion. Employees who become disabled during the period of their employment will be retained wherever possible and encouraged to develop their careers.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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 of disclosure to auditor

The directors confirm that:

- a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



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Peter McLuckie

Secretary
20/10/09

BAXTERS FOOD GROUP LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAXTERS FOOD GROUP LIMITED

We have audited the group and company financial statements (the "financial statements") of Baxters Food Group Limited for the year ended 30 May 2009 set out on pages 8 to 34. 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 Sections 495 and 496 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 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 the directors and auditors

As explained more fully in the Director's Responsibilities Statement on page 5 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

BAXTERS FOOD GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF BAXTERS FOOD GROUP LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 May 2009 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

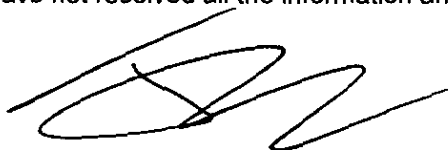
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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 by the group or company or returns adequate for our audit have not been received from branches not visited by us; or
- the group and company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we required for our audit.



Graeme Fraser (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael

20 October 2009

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

BAXTERS FOOD GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 MAY 2009

	Notes	2009 £000	2008 £000
Turnover			
Continuing operations		123,981	114,828
Discontinued operations		-	2,488
		<hr/>	<hr/>
Total turnover	2	123,981	117,316
 Cost of sales		 (76,308)	 (72,189)
		<hr/>	<hr/>
Gross profit		47,673	45,127
 Distribution costs		 (13,760)	 (14,608)
Administrative expenses		(27,076)	(25,865)
Other income		43	62
		<hr/>	<hr/>
Operation profit before exceptional items		6,880	4,716
 Exceptional items	3	 -	 (3,544)
		<hr/>	<hr/>
Operating profit			
Continuing operations		6,880	1,429
Discontinued operations		-	(257)
		<hr/>	<hr/>
Total operating profit	3	6,880	1,172
 Profit on sale of discontinued operations		 -	 794
		<hr/>	<hr/>
Profit on ordinary activities before finance charges		6,880	1,966
 Interest receivable and similar income		 43	 60
Interest payable and similar charges	5	(2,106)	(2,165)
Other finance income	16	214	371
		<hr/>	<hr/>
Profit on ordinary activities before taxation		5,031	232
 Tax on profit on ordinary activities	6	 (2,326)	 (855)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		2,705	(623)
		<hr/>	<hr/>

BAXTERS FOOD GROUP LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 MAY 2009

	2009 £000	2008 £000
Profit/(loss) for the financial year	2,705	(623)
Actuarial (loss)/gain relating to net pension liability (note 16)	(3,669)	2,012
Deferred tax associated with actuarial loss/(gain) relating to net pension liability	1,027	(604)
Deferred tax movement on net pension liability	-	(14)
Currency translation differences on foreign currency net investments	(439)	262
Total recognised gains and losses relating to the year	(376)	1,033

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS & LOSSES FOR THE YEAR ENDED 30 MAY 2009

	2009 £000	2008 £000
Reported profit on ordinary activities before taxation	5,031	232
Difference between the historical cost depreciation charge and the actual depreciation charge for the year	263	259
Historical cost profit on ordinary activities before taxation	5,294	491
Historical cost profit/(loss) for the year after taxation	2,968	(364)

BAXTERS FOOD GROUP LIMITED

BALANCE SHEETS

AT 30 MAY 2009

		Group		Company	
	Notes	2009 £000	2008 £000	2009 £000	2008 £000
Fixed assets					
Intangible assets	7	24,891	25,096	10,665	11,466
Tangible assets	8	48,765	47,856	30,877	31,803
Investments	9	15	15	8,274	6,777
		<u>73,671</u>	<u>72,967</u>	<u>49,816</u>	<u>50,046</u>
Current assets					
Stocks	10	22,820	23,764	14,358	13,521
Debtors	11	14,607	15,477	26,116	19,014
Cash at bank and in hand		2,217	4,249	1,967	3,799
		<u>39,644</u>	<u>43,490</u>	<u>42,441</u>	<u>36,334</u>
Creditors: amounts falling due within one year	12	(23,957)	(25,559)	(12,770)	(12,783)
Net current assets		<u>15,687</u>	<u>17,931</u>	<u>29,671</u>	<u>23,551</u>
Total assets less current liabilities		<u>89,358</u>	<u>90,898</u>	<u>79,487</u>	<u>73,597</u>
Creditors: amounts falling due after more than one year	13	(16,285)	(17,614)	(32,805)	(29,265)
Provisions for liabilities and charges	14	(2,634)	(2,949)	(2,537)	(2,716)
Accruals and deferred income	15	(1,049)	(1,303)	-	-
Net assets excluding pension liability		<u>69,390</u>	<u>69,032</u>	<u>44,145</u>	<u>41,616</u>
Pension scheme liability (net of deferred tax)	16	(2,401)	(497)	(2,401)	(497)
Net assets including pension liability		<u>66,989</u>	<u>68,535</u>	<u>41,744</u>	<u>41,119</u>
Capital and reserves					
Called up share capital	17	637	637	637	637
Other reserves	18	350	350	350	350
Revaluation reserve	18	14,846	15,109	13,315	13,528
Profit and loss account	18	51,156	52,427	27,442	26,604
Shareholders' funds – equity interests	19	<u>66,989</u>	<u>68,523</u>	<u>41,744</u>	<u>41,119</u>
Minority interests		-	12	-	-
		<u>66,989</u>	<u>68,535</u>	<u>41,744</u>	<u>41,119</u>

Approved by the board for issue on 28/07/09

Audrey C Baxter DBA
Director

Company Registration No. 23572 (Scotland)

BAXTERS FOOD GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 MAY 2009

	2009 £000	2008 £000
Net cash inflow from operating activities (note 1, page 12)	9,779	15,158
Returns on investments and servicing of finance		
Interest received	43	60
Interest paid	(2,106)	(2,165)
Net cash outflow for returns on investments and servicing of finance	(2,063)	(2,105)
Taxation	(1,919)	(1,732)
Capital expenditure		
Payments to acquire tangible assets	(3,622)	(5,867)
Receipts from sale of tangible assets	23	30
Receipts from sale of discontinued operations	-	6,984
Net cash (outflow)/inflow for capital expenditure	(3,599)	1,147
Purchase of subsidiary undertaking & acquired businesses net of cash acquired (see note 9, page 23)	(12)	(4,583)
Equity dividends paid	(1,158)	(1,050)
Net cash inflow before financing	1,028	6,835
Financing		
New loan	-	2,295
Repayment of bank loans	(2,810)	(5,705)
Capital element of hire purchase contracts	(9)	(6)
Net cash outflow from financing	(2,819)	(3,416)
(Decrease)/increase in cash in the year	(1,791)	3,419

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 MAY 2009

1 Reconciliation of operating profit to net cash inflow from operating activities

	2009 £000	2008 £000
Operating profit	6,880	1,172
Depreciation of tangible assets	2,883	2,887
Amortisation of intangible assets	1,455	1,412
Amortisation of government grant	(49)	(47)
Loss on disposal of tangible assets	2	139
Decrease in stocks	1,554	2,391
Decrease in debtors	1,274	4,649
(Decrease)/increase in creditors within one year	(3,152)	4,441
Net effect of foreign exchange differences	(257)	(1,467)
Excess of employer pension contributions over current service cost	(811)	(419)
Net cash inflow from operating activities	9,779	15,158

2 Analysis of net debt

	1 June 2008 £000	Cash flow £000	Exchange movements £000	30 May 2009 £000
Net cash:				
Cash at bank and in hand	4,249	(2,040)	8	2,217
Bank overdrafts	(4,764)	249	(484)	(4,999)
	(515)	(1,791)	(476)	(2,782)
 Finance leases	(19)	9	(2)	(12)
Bank loan	(17,093)	2,810	(1,739)	(16,022)
Other loans	(2,295)	-	(233)	(2,528)
	(19,407)	2,819	(1,974)	(18,562)
Net debt	(19,922)	1,028	(2,450)	(21,344)

3 Reconciliation of net cash flow to movement in net debt

	2009 £000	2008 £000
(Decrease)/increase in cash in the year	(1,791)	3,419
Cash outflow from movement in debt	2,819	3,416
 Change in net debt resulting from cash flows	1,028	6,835
Net effect of foreign exchange differences	(2,450)	(1,280)
Other non-cash movements	-	(18)
Movement in net debt in the year	(1,422)	5,537
Opening net debt	(19,922)	(25,459)
 Closing net debt	(21,344)	(19,922)

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 MAY 2009

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements presented are for the 52 weeks ended 30 May 2009, while the comparative information is for the 52 weeks ended 31 May 2008.

1.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and all its subsidiary undertakings which are made up to 30 May 2009. As provided by Section 408 of the Companies Act 2006, a profit and loss account is not presented for the parent company.

1.4 Turnover

Turnover represents sales invoiced, excluding value added tax. The costs of prompt payment discounts are included within interest payable.

1.5 Purchased goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisitions, is capitalised and amortised on a straight line basis over 20 years, as the company considers the estimated useful life to be at least 20 years.

Negative goodwill (representing the excess of the fair value of the separable net assets acquired over the fair value of the consideration) arising on acquisitions is capitalised and amortised on a straight line basis over 5-15 years, adjusted to reflect the reversal of conditions that created the negative goodwill.

1.6 Brands

Brands represent the cost of recipes and brand names purchased. These costs are capitalised and amortised on a straight line basis over their estimated useful economic lives of 20 years.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Buildings	- 25 years to 50 years
Plant, equipment and vehicles	- 3 years to 25 years

1.8 Revaluation of freehold land and buildings

Interim valuations of freehold properties are conducted every three years by a qualified valuer and full valuations are conducted every five years by a qualified valuer. The next full valuation will be conducted during the year to 31 May 2012 with an interim valuation during the year to 31 May 2010. The resulting surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal, of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued asset, any related balances remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

1 Accounting policies (continued)

1.9 Investments

Fixed asset investments are stated at cost less provision for impairment.

1.10 Leasing

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income as they fall due under the terms of the agreements.

1.11 Stock

Stock, which comprises finished goods, raw materials and packing materials, is valued at the lower of cost and estimated net realisable value. In the case of finished goods cost comprises materials, direct labour and related fixed and variable production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.12 Pensions

The group operates a defined benefit pension scheme. In accordance with FRS 17, "Retirement benefits", the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme's liabilities (because benefits are closer to settlement) and a credit equivalent to the company's long term expected return on assets (based on the market value of the scheme's assets at the start of the period) are included in the profit and loss account under 'other finance costs'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, net of deferred taxation. Any difference between the expected return on assets and that actually achieved, is recognised in the statement of total recognised gains and losses, along with differences which arise from experience or assumption changes.

Further information on pension arrangements is set out in note 16 to the accounts.

The group also operates defined contribution pension schemes. The pension costs charged in the financial statements represent the contributions payable by the group during the year.

1.13 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

1 Accounting policies (continued)

1.14 Foreign currency translation

The profit and loss accounts of overseas subsidiary undertakings are translated at the average rate of exchange during the year and their balance sheets at the rate ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets and results of overseas operations, and on foreign currency borrowings, are reported in the statement of total recognised gains and losses.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or at contract rate. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

1.15 Government Grants

Grants are credited to deferred income. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss accounts as the related expenditure is incurred.

2 Turnover

The total turnover of the group for the year has been derived from its principal activities.

Segmental analysis by geographical area

The analysis by geographical area of the group turnover is set out as below:

	2009 £000	2008 £000
Geographical segment		
United Kingdom	84,498	84,074
International	39,483	33,242
	<u>123,981</u>	<u>117,316</u>

No further segmental information is provided as the directors consider that disclosure of this information would be seriously prejudicial to the interests of the group.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

3 Operating profit	2009 £000	2008 £000
Operating profit is stated after charging:		
Amortisation of intangible assets	1,455	1,412
Depreciation of tangible assets	2,883	2,887
Loss on disposal of tangible assets	2	139
Operating lease rentals – plant and machinery	366	356
Operating lease rentals – other	1,837	1,405
Fees payable to the company's auditors (see below)	179	195
and after crediting:		
Gain on foreign exchange transactions	(17)	(997)
Amortisation of government grants	(49)	(47)
	<u>179</u>	<u>195</u>
Fees payable to the company's auditors comprise:		
Fees payable to the company's auditors for the audit of the company's annual accounts	74	82
Fees payable to the company's auditors for other services:		
- Tax services	49	49
- Other services	50	57
Fees in respect of the Baxters Food Group Pension Scheme:		
- Audit	6	7
	<u>179</u>	<u>195</u>

In the prior year exceptional costs of £3,544,000 were incurred. The prior year profit and loss account was presented as follows:

	2008 Normal £000	2008 Exceptional £000	2008 Total £000
Turnover			
Continuing operations	114,828	(376)	114,452
Discontinued operations	2,488	-	2,488
Total turnover	<u>117,316</u>	<u>(376)</u>	<u>116,940</u>
Cost of sales	<u>(72,189)</u>	<u>(1,927)</u>	<u>(74,116)</u>
Gross profit	<u>45,127</u>	<u>(2,303)</u>	<u>42,824</u>
Distribution costs	(14,608)	(630)	(15,238)
Administrative costs	(25,865)	(611)	(26,476)
Other income	62	-	62
Operating profit			
Continuing operations	4,973	(3,544)	1,429
Discontinued operations	(257)	-	(257)
Total operating profit	<u>4,716</u>	<u>(3,544)</u>	<u>1,172</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

4 Exceptional items reported after operating profit

The profit on sale of discontinued operations in the prior year related to the disposal of Group operations at the Grimsby site.

The effects of the exceptional item reported after operating profit on the amounts charged to the profit and loss account for taxation were:

	2009 £000	2008 £000
Tax credit on profit on sale of discontinued operations	-	53

5 Interest payable

	2009 £000	2008 £000
On bank loans and overdrafts	1,073	1,563
Other interest costs	9	22
Prompt payment discounts	1,024	580
	<u>2,106</u>	<u>2,165</u>

In the prior year prompt payment discounts were included in turnover. The directors consider that it is more appropriate to classify prompt payment discount as an interest cost and have therefore reclassified the cost for the current and prior years.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

6 Taxation	2009 £000	2008 £000
Domestic current year tax		
U.K. corporation tax	2,147	990
Adjustment for prior years	(51)	-
	<u>2,096</u>	<u>990</u>
Foreign corporation tax		
Foreign corporation tax	96	61
	<u>2,192</u>	<u>1,051</u>
Deferred tax		
Deferred tax credit current year	(102)	(290)
Effect of changes of tax rates and laws	-	(215)
Deferred tax charge on pension liability	287	237
Deferred tax adjustment re previous year	(51)	72
	<u>2,326</u>	<u>855</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	5,046	232
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28% (2008: 29.67%)	<u>1,413</u>	<u>69</u>
Effects of:		
Expenses not deductible for tax purposes	107	71
Capital allowances in excess of depreciation for period	483	574
Tax losses unutilised	447	1,005
Adjustments to previous periods	(51)	-
Movements in provisions	(2)	(26)
Goodwill amortisation adjustment	(14)	(15)
Foreign corporation tax	96	(61)
Pension costs adjustment	(287)	(237)
Transfer pricing adjustment	-	(30)
Chargeable gains	-	(299)
	<u>779</u>	<u>982</u>
Current tax charge	<u>2,192</u>	<u>1,051</u>

The amount of deferred tax that has not been provided on revalued fixed assets is £4,216,000 (2008: £4,438,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

A deferred tax asset of £3,143,000 (2008: £1,449,000) has not been recognised in relation to unutilised tax losses.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

7 Intangible fixed assets Group

	Purchased goodwill £000	Negative goodwill £000	Brands £000	Total £000
Cost				
At 1 June 2008	29,330	(817)	1,000	29,513
Exchange adjustments	1,319	-	-	1,319
Additions (note 9)	-	(125)	-	(125)
Adjustments (note 9)	117	-	-	117
At 30 May 2009	30,766	(942)	1,000	30,824
Amortisation				
At 1 June 2008	4,993	(817)	241	4,417
Exchange adjustments	61	-	-	61
Charge for the period	1,472	(67)	50	1,455
At 30 May 2009	6,526	(884)	291	5,933
Net book value				
At 30 May 2009	24,240	(58)	709	24,891
At 31 May 2008	24,337	-	759	25,096

Company

	Purchased goodwill £000	Brands £000	Total £000
Cost			
At 1 June 2008 and 30 May 2009	12,939	1,000	13,939
Amortisation			
At 1 June 2008	2,232	241	2,473
Charge for the period	751	50	801
At 30 May 2009	2,983	291	3,274
Net book value			
At 30 May 2009	9,956	709	10,665
At 31 May 2008	10,707	759	11,466

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

8 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold land and Buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation				
At 1 June 2008	27,359	3,358	41,256	71,973
Exchange adjustments	(280)	1	627	348
Additions	107	234	3,281	3,622
Adjustments (note 9)	-	-	(18)	(18)
Disposals	-	-	(35)	(35)
At 30 May 2009	27,186	3,593	45,111	75,890
Depreciation				
At 1 June 2008	814	511	22,792	24,117
Exchange adjustments	3	1	131	135
On disposals	-	-	(10)	(10)
Charge for the year	842	213	1,828	2,883
At 30 May 2009	1,659	725	24,741	27,125
Net book value				
At 30 May 2009	25,527	2,868	20,370	48,765
At 31 May 2008	26,545	2,847	18,464	47,856

Company	Freehold land and buildings £000	Leasehold land and Buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation				
At 1 June 2008	19,387	3,332	30,841	53,560
Additions	3	231	727	961
At 30 May 2009	19,390	3,563	31,568	54,521
Depreciation				
At 1 June 2008	573	507	20,677	21,757
Charge for the period	593	207	1,087	1,887
At 30 May 2009	1,166	714	21,764	23,644
Net book value				
At 30 May 2009	18,224	2,849	9,804	30,877
At 31 May 2008	18,814	2,825	10,164	31,803

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

8 Tangible fixed assets (continued)

Freehold land and buildings (except for those completed during the prior year) were professionally valued by F.G. Burnett, Chartered Surveyors (United Kingdom) and Suncorp Valuations Ltd, Chartered Surveyors (Canada). The valuations were performed on a depreciated replacement cost basis at 2 June 2007, with subsequent additions at cost. The 30 May 2009 total comprises:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Valuation (2 June 2007)	24,074	23,927	19,215	19,215
Cost	3,112	3,432	175	172
	<u>27,186</u>	<u>27,359</u>	<u>19,390</u>	<u>19,387</u>

The directors consider that there has been no material change in the value of freehold land and buildings, after allowing for additions and depreciation, since the last professional valuation.

Comparable historical cost for the freehold land and buildings included at valuation:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Cost	19,578	19,751	13,139	13,136
Depreciation	(8,894)	(8,315)	(8,230)	(7,850)
Net book value	<u>10,684</u>	<u>11,436</u>	<u>4,909</u>	<u>5,286</u>

Depreciation has not been charged on the following:

	Group £000	Company £000
Freehold land	2,147	1,140
Assets in course of construction	<u>3,306</u>	<u>217</u>

Included above are assets held under hire purchase contracts as follows:

Group and company	Group Plant, equipment and vehicles £000	Total £000	Company Plant, equipment and vehicles £000	Total £000
Net book values				
At 30 May 2009	15	15	-	-
At 31 May 2008	<u>21</u>	<u>21</u>	<u>1</u>	<u>1</u>
Depreciation charge for the period ending				
30 May 2009	5	5	-	-
31 May 2008	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

9 Fixed asset investments

Group	Unlisted investments £000	Total £000
Cost		
At 31 May 2008 and 30 May 2009	15	15

Company	Unlisted investments £000	Capital contributions to subsidiary undertaking £000	Shares in group undertakings £000	Total £000
Cost				
At 1 June 2008	15	125	8,955	9,095
Additions	-	-	1,497	1,497
At 30 May 2009	15	125	10,452	10,592
Amounts written off				
At 1 June 2008 and 30 May 2009	-	-	2,318	2,318
Net Book Value				
At 30 May 2009	15	125	8,134	8,274
At 31 May 2008	15	125	6,637	6,777

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

9 Fixed asset investments (continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
Subsidiary undertakings		Class	%
Baxters of Speyside Limited	Scotland	Ordinary	100
Gordon & Ena Baxter Limited	Scotland	Ordinary	100
Baxters Foodservice Limited	Scotland	Ordinary	100
Garner's Foods Limited	England & Wales	Ordinary	100
Baxters Scottish Seafoods Limited	Scotland	Ordinary	100
Baxters Scottish Game Limited	Scotland	Ordinary	100
Fonds de Cuisine Limited	Scotland	Ordinary	100
Audrey Baxter Signature Limited	Scotland	Ordinary	100
Audrey Baxter Signature Range Limited	Scotland	Ordinary	100
Audrey Baxter Limited	Scotland	Ordinary	100
Baxters Canada Inc	Canada	Ordinary	100
Baxters Ontario Inc	Canada	Ordinary	100
Baxters (Colchester) Limited	England & Wales	Ordinary	100
Baxters Foods Australia Pty Limited	Australia	Ordinary	100
Baxters Food Group Properties Pty Limited	Australia	Ordinary	100
Baxters Polska Sp.z.o.o	Poland	Ordinary	100
Moray Microbiological Laboratories Limited (50% acquired 5 January 2009)	Scotland	Ordinary "A" & "B"	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Baxters of Speyside Limited	Non-trading
Gordon & Ena Baxter Limited	Non-trading
Baxters Foodservice Limited	Non-trading
Garner's Foods Limited	Non-trading
Baxters Scottish Seafoods Limited	Non-trading
Baxters Scottish Game Limited	Non-trading
Fonds de Cuisine Limited	Non-trading
Audrey Baxter Signature Limited	Dormant
Audrey Baxter Signature Range Limited	Dormant
Audrey Baxter Limited	Dormant
Baxters Canada Inc.	Manufacture and sale of foodstuffs
Baxters Ontario Inc	Non-trading
Baxters (Colchester) Limited	Non-trading
Baxters Foods Australia Pty Limited	Sale of foodstuffs
Baxters Food Group Properties Pty Limited	Property rental
Baxters Polska Sp.z.o.o	Manufacture and sale of foodstuffs
Moray Microbiological Laboratories Limited	Provision of microbiological laboratory services

On 17 September 2008 the company made a further investment of £1,485,000 in Baxters Foods Australia Pty Limited by increasing the capital base.

On 5 January 2009 the company acquired the remaining 50% of Moray Microbiological Laboratories Limited for a consideration of £12,000. As part of the acquisition the vendor's £125,000 investment in Moray Microbiological Laboratories Limited was not repaid. Accordingly, this was transferred to negative goodwill within the group financial statements.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

9 Fixed asset investments (continued)

On 1 April 2008 Baxters Foods Australia Pty Limited acquired the trade and selected assets and liabilities of Sole Mio Pty Limited. Baxters Foods Australia Pty Limited also acquired selected liabilities of Benmarc Pty Limited, a related company of Sole Mio Pty Limited. On the same date Baxters Food Group Properties Pty Limited acquired the trade and selected assets of Orsena Pty Limited, parent company of Sole Mio Pty Limited.

During the year the Directors have reviewed the provisional fair values of the assets and liabilities acquired, and the provisional fair value of the consideration paid.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book and fair value to Group		Book and fair value to group
	As previously reported	Adjustments	At 30 May 2009
	£'000	£'000	£'000
Fixed assets			
Tangible	2,018	(18)	2,000
Current assets			
Stocks	542	(72)	470
Trade debtors	636	-	636
Other debtors	30	-	30
Total assets	<u>3,226</u>	<u>(90)</u>	<u>3,136</u>
Creditors: amounts falling due within one year			
Trade creditors	(664)	-	(664)
Accruals and deferred income	(122)	-	(122)
Total liabilities	<u>(786)</u>	<u>-</u>	<u>(786)</u>
Net assets acquired	<u>2,440</u>	<u>(90)</u>	<u>2,350</u>
Goodwill	1,394	117	1,511
	<u>3,834</u>	<u>27</u>	<u>3,861</u>
Satisfied by			
Cash	3,500	-	3,500
Deal fees and other expenses	334	27	361
	<u>3,834</u>	<u>27</u>	<u>3,861</u>
Net cash outflows in respect of the acquisition comprised:	£'000		£'000
Cash consideration	3,712	149	3,861
Deferred consideration	122	(122)	-
	<u>3,834</u>	<u>27</u>	<u>3,861</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

10 Stocks

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Raw materials and consumables	1,868	2,741	1,051	1,238
Packing materials	1,741	1,994	1,058	1,310
Finished goods	19,211	19,029	12,249	10,973
	<u>22,820</u>	<u>23,764</u>	<u>14,358</u>	<u>13,521</u>

11 Debtors

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade debtors	8,745	11,810	5,224	7,494
Amounts owed by group undertakings	363	378	16,527	8,997
Other debtors	3,844	1,779	2,813	1,070
Prepayments and accrued income	1,655	1,510	1,552	1,453
	<u>14,607</u>	<u>15,477</u>	<u>26,116</u>	<u>19,014</u>

Amounts falling due after more than one year and included in the debtors above are:

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Other debtors	<u>1,550</u>	<u>-</u>	<u>1,384</u>	<u>-</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

12 Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans and overdrafts - secured (see note 13)	7,270	6,549	-	-
Net obligations under hire purchase contracts	6	8	-	1
Trade creditors	10,112	11,999	8,613	8,517
Corporation tax	700	437	709	358
Other taxes and social security costs	573	567	347	372
Accruals and deferred income	5,296	5,999	3,101	3,535
	<u>23,957</u>	<u>25,559</u>	<u>12,770</u>	<u>12,783</u>

13 Creditors : amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Bank loans	13,751	15,308	-	-
Other loans	2,528	2,295	-	-
Amounts due to subsidiaries	-	-	32,805	29,265
Net obligations under hire purchase agreements	6	11	-	-
	<u>16,285</u>	<u>17,614</u>	<u>32,805</u>	<u>29,265</u>
Loan maturity analysis				
Within one year	2,271	1,785	-	-
In more than one year but not more than two years	2,581	2,062	-	-
In more than two years but not more than five years	13,171	14,489	-	-
In greater than five years	527	1,052	-	-
	<u>18,550</u>	<u>19,388</u>	<u>-</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	6	8	-	1
Repayable between one and five years	6	11	-	-
	<u>12</u>	<u>19</u>	<u>-</u>	<u>1</u>

The bank facilities bear interest at variable rates and are repayable by instalments within 5 years.

The UK bank facilities are secured by letters of offset and cross guarantees from all non dormant group companies.

The Canadian bank facilities are secured by certain assets of Baxters Canada Inc, and by a floating charge over the assets of W.A. Baxter and Sons (Holdings) Limited and Baxters Food Group Limited.

The other loan is an interest free loan from Investment Quebec, repayable in 48 equal instalments commencing April 2011. This loan is secured by a guarantee from W.A. Baxter and Sons (Holdings) Limited and Baxters Food Group Limited.

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

14 Provisions for liabilities and charges

Group	Deferred tax liability £000	Other provisions £000	Total £000
Balance at 1 June 2008	2,824	125	2,949
Exchange adjustments	(37)	-	(37)
Profit and loss account (note 6)	(153)	-	(153)
Transfer to negative goodwill (notes 7 and 9)	-	(125)	(125)
Balance at 30 May 2009	<u>2,634</u>	<u>-</u>	<u>2,634</u>

Company	Deferred taxation £000
At 1 June 2008	2,716
Profit and loss account	(179)
At 30 May 2009	<u>2,537</u>

The deferred tax liability is made up as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Accelerated capital allowances	2,634	2,741	2,537	2,633
Other timing differences	-	83	-	83
	<u>2,634</u>	<u>2,824</u>	<u>2,537</u>	<u>2,716</u>

15 Accruals and deferred income

Group	Government grants £000
Balance at 1 June 2008	1,303
Exchange adjustments	(205)
Amortisation in the year	(49)
Balance at 30 May 2009	<u>1,049</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

16 Pension Costs

Defined Contribution

	2009 £000	2008 £000
Contributions payable for the year	194	169

Defined Benefit

The group operates a funded defined benefit pension scheme. The scheme is closed to new members.

The valuation used for the FRS17 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 30 May 2009. Scheme assets are stated at their market value at 30 May 2009.

The group paid normal contributions of £548,000 (2008: £691,000) during the period (13% of pensionable) and special contributions of £639,000 (2008: £640,000). At the year end contributions of £201,000 (2008: £214,000) were included in creditors.

It has been agreed that the contribution rate for 2009/2010 will be 13% of pensionable salaries and will be adjusted based on actuarial advice and the group will continue to make special contributions of £639,000 per annum in line with the recovery plan.

	2009
The principal actuarial assumptions are as follows:	
Rate of increase in salaries	3.00%
Rate of increase in pensions - subject to a minimum of 3% pa	2.50%
Rate of increase in pensions - subject to a maximum of 5% pa	3.00%
Discount rate	6.60%
Inflation assumption	2.00% for 3 years, 3.00% thereafter

Demographic assumptions

The specific mortality rates used are based on the S1PA and PA92 tables adjusted to allow for the experience of scheme pensioners. The life expectancies underlying the valuation are as follows:

		2009 Years	2008 years
Current pensioners (at age 65)	- males	20.9	19.5
	- females	23.5	22.3
Future pensioners (at age 65)	- males	22.8	20.4
	- females	25.4	23.2

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

16 Pension costs (continued)

	2009 £000	2008 £000
The balance sheet position of the scheme is as follows:		
Market value of assets	26,881	30,915
Present value of obligations (fully funded)	(30,216)	(31,606)
Deficit in scheme	(3,335)	(691)
Related deferred tax asset	934	194
Net pension liability	(2,401)	(497)
	2009	2008
Plan assets as a percentage of total plan assets are as follows:	%	%
Equities	60%	63%
Bonds	24%	10%
Property	8%	11%
Cash	8%	16%

Scheme assets include property occupied by the group with a fair value of £691,000 (2008: £1,111,000).

The overall expected rate of return of the scheme assets has been based on the average expected return for each asset class, weighted by the amount of assets in each class. The expected return for each asset takes into account the history of past returns, and the investment managers view of the economic outlook.

	2009 £000	2008 £000
Movement in deficit during the year		
Deficit in scheme at 1 June 2008	(691)	(3,493)
Current service cost	(376)	(912)
Employer contributions	1,187	1,331
Actuarial gains excluding other expenses and income	(3,669)	2,012
Net return	214	371
Deficit in scheme at 30 May 2009	(3,335)	(691)

During the year scheme participants contributed £287,000 (2008: £345,000), and benefits paid from the scheme amounted to £1,115,000 (2008: £950,000).

Analysis of amounts that have been charged to operating profit

	2009 £000	2008 £000
Current service cost	376	912

BAXTERS FOOD GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 MAY 2009

16 Pension Costs (continued)

Analysis of amounts that have been credited to other finance costs

	2009	2008
	£000	£000
Expected return on pension scheme assets	2,285	2,289
Interest on pension scheme liabilities	(2,071)	(1,918)
Net return	<u>214</u>	<u>371</u>

Analysis of amounts that have been recognised in the statement of total recognised gains and losses

	2009	2008
	£000	£000
Actual return less expected return on pension scheme assets	(6,678)	(2,698)
Actuarial gains and losses arising on the scheme liabilities	3,009	4,710
Actuarial (loss)/gain recognised in the STRGL	<u>(3,669)</u>	<u>2,012</u>

Actual return on scheme assets was a loss of £4,393,000 (2008: £409,000).

History of experience gains and losses

	2009	2008	2007	2006	2005
Experience gains and losses on scheme liabilities:					
- amount (£000)	1,949	(1)	389	(1,248)	(1,028)
- percentage of scheme liabilities	<u>6.50%</u>	<u>(0.03%)</u>	<u>1.14%</u>	<u>(3.81%)</u>	<u>(3.75%)</u>
Actuarial gains and losses recognised in the STRGL:					
- amount (£000)	(3,669)	2,012	3,414	(1,174)	2,720
- percentage of scheme liabilities	<u>(12.14%)</u>	<u>6.37%</u>	<u>10.01%</u>	<u>(3.67%)</u>	<u>9.62%</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

17 Share capital	2009 £000	2008 £000
Authorised		
1,156,400 ordinary shares of £1 each	1,156	1,156
86,700 "A" ordinary shares of £1 each	87	87
41,500 "AA" ordinary shares of £1 each	42	42
120,800 "B" ordinary shares of £0.25 each	30	30
185,200 "BB" ordinary shares of £1 each	185	185
	<u>1,500</u>	<u>1,500</u>
Allotted, called up and fully paid		
292,948 ordinary shares of £1 each	293	293
86,700 "A" ordinary shares of £1 each	87	87
41,500 "AA" ordinary shares of £1 each	42	42
120,800 "B" ordinary shares of £0.25 each	30	30
185,200 "BB" ordinary shares of £1 each	185	185
	<u>637</u>	<u>637</u>

All ordinary shares, with the exception of "B" ordinary shares, are regarded as one class of shares and rank pari passu with one another save for the matter of declaration and distribution of dividends where the directors have the power to declare different rates of dividend.

"B" ordinary shares carry no voting rights and are subject to specific requirements in relation to the sale and transfer of shares.

18 Statement of movements on reserves

Group	Capital Redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
Balance at 1 June 2008	350	15,109	52,427
Profit for the period	-	-	2,705
Dividends paid	-	-	(1,158)
Actuarial loss on pension scheme assets (net)	-	-	(2,642)
Foreign currency translation differences	-	-	(439)
Difference between historical cost depreciation charge and actual depreciation charge	-	(263)	263
Balance at 30 May 2009	<u>350</u>	<u>14,846</u>	<u>51,156</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

18 Statement of movement on reserves (continued)

Company	Capital Redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
Balance at 1 June 2008	350	13,528	26,604
Profit for the period	-	-	4,425
Dividends paid	-	-	(1,158)
Actuarial gain on pension scheme assets (net)	-	-	(2,642)
Difference between historical cost depreciation charge and actual depreciation charge	-	(213)	213
Balance at 30 May 2009	350	13,315	27,442

19 Reconciliation of movement in shareholders funds

Group	2009 £000	2008 £000
Profit/(loss) for the financial year	2,705	(623)
Dividends	(1,158)	(1,050)
Other recognised gains and losses	1,547 (3,081)	(1,673) 1,656
Net reduction to shareholders' funds	(1,534)	(17)
Opening shareholders' funds	68,523	68,540
Closing shareholders' funds	66,989	68,523
Company	2009 £000	2008 £000
Profit for the financial year	4,425	2,830
Dividends	(1,158)	(1,050)
Other recognised gains and losses	3,267 (2,642)	1,780 1,394
Net addition to shareholders' funds	625	3,174
Opening shareholders' funds	41,119	37,945
Closing shareholders' funds	41,744	41,119

20 Guarantees

The company and its parent undertaking, W A Baxters & Sons (Holdings) Limited, have provided a guarantee in respect of meeting the bank and other loan repayments of fellow group undertaking, Baxters Canada Inc. The value of the loan outstanding at 30 May 2009 was £18,550,000 (2008: £19,388,000).

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

21 Financial commitments

At 30 May 2009 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
Expiry date:				
Within one year	-	-	78	56
Between two and five years	688	571	489	192
In over five years	863	821	-	3
	<u>1,551</u>	<u>1,392</u>	<u>567</u>	<u>251</u>

At 30 May 2009 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
Expiry date:				
Within one year	-	-	70	56
Between two and five years	270	240	489	192
In over five years	863	821	-	3
	<u>1,133</u>	<u>1,061</u>	<u>567</u>	<u>251</u>

22 Capital commitments

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Contracted for but not provided	<u>849</u>	<u>602</u>	<u>284</u>	<u>261</u>

23 Directors' emoluments

	2009	2008
	£000	£000
Emoluments for qualifying services	<u>1,421</u>	<u>1,579</u>

The number of directors for whom retirement benefits are accruing as follows:

under defined benefit schemes	5	7
under defined contribution schemes	<u>1</u>	<u>1</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	483	498
Accrued pension at the end of the year	<u>85</u>	<u>81</u>

BAXTERS FOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 MAY 2009

24 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	Group		Company	
	2009 Number	2008 Number	2009 Number	2008 Number
Direct	457	487	260	320
Others	540	560	472	466
	<u>997</u>	<u>1,047</u>	<u>732</u>	<u>786</u>

Employment costs

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Wages and salaries	20,042	19,778	14,024	14,562
Social security costs	2,048	2,165	1,257	1,298
Pension costs	570	1,081	570	1,081
	<u>22,660</u>	<u>23,024</u>	<u>15,851</u>	<u>16,941</u>

In addition to the pension costs included within operating costs, as disclosed in the notes above, there was other finance income of £214,000 (2008: £371,000) and losses recognised in the statement of total recognised gains and losses of £3,669,000 (2008: gains of £2,012,000).

25 Control

The immediate and ultimate parent undertaking of the company is W.A. Baxter and Sons (Holdings) Limited, a company registered in Scotland.

26 Post balance sheet events

The Directors have proposed a final dividend in respect of period ended 30 May 2009 amounting to £1,500,000 (2008: £1,050,000). This will be recommended to the shareholders at the company's Annual General Meeting.

On 25 August 2009 the company made a further equity investment of CA\$27m in Baxters Canada Inc. This was funded by bank loans in the same currency.