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# Financial Statements
# Keepstem Limited

**For the period from** 8 February 2008 to 31 January 2009

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COMPANIES HOUSE

**Company No.** 3466000

# Officers and professional advisers

| | |
|---|---|
| Company registration number | 3466000 |
| Registered office | Wool Hall Farm<br>Wykeham<br>SPALDING<br>Lincolnshire<br>PE12 6HW |
| Directors | R Hancox<br>A E Day<br>M J Tate |
| Secretary | A E Day |
| Bankers | Lloyds TSB Bank plc<br>Hall Place<br>SPALDING<br>Lincolnshire<br>PE11 1SF |
| Solicitors | Roythorne & Co<br>10 Pinchbeck Road<br>SPALDING<br>Lincolnshire<br>PE11 1PZ<br><br>Eversheds LLP<br>Kett House<br>Station Road<br>CAMBRIDGE<br>CB1 2JY |
| Auditor | Grant Thornton UK LLP<br>Grant Thornton House<br>Kettering Parkway<br>Kettering Venture Park<br>KETTERING<br>Northants<br>NN15 6XR |

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# Report of the directors

The directors present their report and the financial statements of the group for the period from 8 February 2008 to 31 January 2009.

## Principal activities and business review

The principal activities of the group are farming and its allied trades.

The directors consider the performance of the group during the year to be satisfactory and remain confident of the future and in the group's ability to take advantage of opportunities as they arise.

## Results and dividends

The profit for the period amounted to £583,528 (2008 - loss £1,353,474). The directors have not recommended a dividend.

## Key performance indicators

**Financial**
The group measures its financial performance using the following measures:

1) Growth in turnover is a key measure of the company's success in winning new business and retaining existing customers. Turnover in the 359 day period of £88,553,824 on continuing operations equated to £246,668 per day. This was 1.6% lower per day than the previous period of 376 days however the directors view this as a positive development as it reflects the withdrawal from unprofitable product lines.

2) Gross profit of £3,184,415 on continuing operations was 3.6% of turnover compared to 1.7% in the previous period being a general reflection of the businesses withdrawal from unprofitable product lines.

3) Operating profit of £649,188 on continuing operations (2008 - loss £1,294,763) is stated after other operating charges of £2,630,227 in the period compared to operating charges of £2,912,897 in the previous period.

**Non-financial**
The group measures its non-financial performance in several areas as follows:

1) The securing of new business is a critical area if the business is to continue to grow. The value of contracts won during the period is therefore closely monitored by the directors. During the period the level of new business won was considered by the directors to be satisfactory.

2) The service delivery to key customers is measured, usually on a monthly basis, in conjunction with those key customers in areas such as product availability, intake margin and quality scores. These scores are monitored by the board to ensure the company is meeting its performance standards. During the period the overall scores were consistently above target.

## Financial risk management objectives and policies

The group uses various financial instruments including loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

The main risks arising from the group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk.

**Market risk**

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

**Liquidity risk**
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by an asset backed bank lending facility.

**Interest rate risk**
The group finances its operations through a mixture of retained profits, bank borrowings and hire purchase agreements. The group exposure to interest rate fluctuations on its borrowings is mitigated by the use of fixed interest hire purchase agreements.

**Credit risk**
The group's principal financial assets are cash and trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

## The directors and their interests

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

| | Class of share | At 31 January 2009 | At 7 February 2008 |
|---|---|---|---|
| R Hancox | 'A' ordinary shares of £1 each | **6,000** | 6,000 |
| A E Day | 'A' ordinary shares of £1 each | **2,000** | 2,000 |
| M J Tate | 'A' ordinary shares of £1 each | **2,000** | 2,000 |

## 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Donations

During the period the group made charitable donations totalling £1,052 (2008 - £2,365).

## Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 285 of the Companies Act 1985.

BY ORDER OF THE BOARD

A E Day
Secretary

3 July 2009.

Grant Thornton

# Report of the independent auditor to the members of Keepstem Limited

We have audited the group and parent company financial statements ("the financial statements") of Keepstem Limited for the period from 8 February 2008 to 31 January 2009 which comprise the accounting policies, group profit and loss account, group balance sheet and balance sheet, note of historical cost profits and losses and notes 1 to 27. 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 audit 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of 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 group's and company's circumstances, consistently applied and adequately disclosed.

Grant Thornton

# Report of the independent auditor to the members of Keepstem Limited

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.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 January 2009 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

**Kettering**

3 July 2009.

# Accounting policies

## Basis of accounting

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

The principle accounting polices of the company are set out below. The policies have remained unchanged from prior years apart from the amendment to FRS 17 'retirement benefits. This change is described in more detail below.

## Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 11) drawn up to 31 January 2009. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting, except for those qualifying as group reconstructions where merger accounting is permitted.

The company is entitled to the merger relief offered by section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of LFP Marketing Limited.

## Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT. Revenue from the sale of goods and services is recognised when significant risks and benefits of ownership of the product have transferred to the buyer.

## Fixed assets

All fixed assets are initially recorded at cost.

## Stocks

Stocks and growing crops are valued in accordance with BEN 19 and are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

## Work in progress

Produce is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of produce.

## Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

## Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset on a straight line basis as follows:

| | | |
|---|---|---|
| Freehold buildings | - | 2% |
| Plant & equipment | - | 5% - 33% |

## Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

## Pension costs and other post-retirement benefits

**Defined Benefit Pension Scheme**
The group has applied the Amendment to FRS 17 Retirement Benefits which is effective for accounting periods commencing on or after 6 April 2007. The amendment to FRS 17 primarily affects disclosures in relation to defined benefit pension schemes. However for quoted securities the fair value is now taken to be the current bid price rather than the mid-market value. This change has affected disclosure only and has not lead to any prior period adjustment.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at the appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest charged on scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

**Defined Contribution Pension Scheme**
The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

Retirement benefits other than pensions are accounted for in the same way.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### Government assistance

Government assistance of a revenue nature is credited to the profit and loss account in the same period as the related expenditure.

# Group profit and loss account

| | Note | Period ended 31 Jan 09 £ | Period ended 31 Jan 09 £ | Period ended 7 Feb 08 £ | Period ended 7 Feb 08 £ |
|---|---|---|---|---|---|
| **Turnover** | 1 | | | | |
| Continuing operations | | **88,553,824** | | 94,271,572 | |
| Discontinued operations | | **-** | | 20,756,770 | |
| | | | **88,553,824** | | 115,028,342 |
| Cost of sales | 2 | | **85,369,409** | | 112,230,879 |
| **Gross profit** | | | **3,184,415** | | 2,797,463 |
| Other operating charges | 2 | | **2,535,227** | | 4,234,950 |
| | 3 | | | | |
| **Operating profit/(loss)** | | | **649,188** | | (1,437,487) |
| Continuing operations | | **649,188** | | (1,294,763) | |
| Discontinued operations | | **-** | | (142,724) | |
| Interest receivable | 6 | | **313,511** | | 16,418 |
| Interest payable and similar charges | 7 | | **(325,559)** | | (431,544) |
| **Profit/(loss) on ordinary activities before taxation** | | | **637,140** | | (1,852,613) |
| Tax on (loss)/profit on ordinary activities | 8 | | **53,612** | | (499,139) |
| **Profit/(loss) for the financial period** | 22 | | **583,528** | | (1,353,474) |

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

# Group balance sheet

| | Note | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | **8,368,356** | 15,082,549 |
| **Current assets** | | | |
| Stocks | 12 | **3,085,983** | 2,593,837 |
| Debtors - due within one year | 13 | **11,956,536** | 12,629,732 |
| Debtors - due after more than one year | 13 | **4,150,000** | - |
| Cash at bank | | **412** | 460 |
| | | **19,192,931** | 15,224,029 |
| **Creditors: amounts falling due within one year** | 14 | **15,352,755** | 17,297,638 |
| **Net current assets** | | **3,840,176** | (2,073,609) |
| **Total assets less current liabilities** | | **12,208,532** | 13,008,940 |
| **Creditors: amounts falling due after more than one year** | 15 | **1,597,856** | 2,811,300 |
| | | **10,610,676** | 10,197,640 |
| **Provisions for liabilities** | | | |
| Pensions | 18 | **248,400** | 195,000 |
| Deferred taxation | 17 | **48,562** | 64,054 |
| | | **10,313,714** | 9,938,586 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 21 | **10,000** | 10,000 |
| Share premium account | 22 | **304,229** | 304,229 |
| Other reserves | 22 | **1,610,893** | 1,610,893 |
| Profit and loss account | 22 | **8,388,592** | 8,013,464 |
| **Shareholders' funds** | 23 | **10,313,714** | 9,938,586 |

These financial statements were approved by the directors on 3/7/09 and are signed on their behalf by:

R Hancox
Director

The accompanying accounting policies and notes form part of these financial statements.

# Balance sheet

| | Note | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 11 | **8,569,661** | 8,570,661 |
| **Current assets** | | | |
| Debtors | 13 | **-** | 584 |
| Cash at bank | | **-** | 35 |
| | | **-** | 619 |
| **Creditors: amounts falling due within one year** | 14 | **1,426,272** | 1,246,626 |
| **Net current liabilities** | | **(1,426,272)** | (1,246,007) |
| **Total assets less current liabilities** | | **7,143,389** | 7,324,654 |
| **Creditors: amounts falling due after more than one year** | 15 | **1,210,600** | 1,392,800 |
| | | **5,932,789** | 5,931,854 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 21 | **10,000** | 10,000 |
| Share premium account | 22 | **304,229** | 304,229 |
| Other reserves | 22 | **1,610,893** | 1,610,893 |
| Profit and loss account | 22 | **4,007,667** | 4,006,732 |
| **Shareholders' funds** | 23 | **5,932,789** | 5,931,854 |

These financial statements were approved by the directors on 3/7/09 and are signed on their behalf by:

R Hancox
Director

The accompanying accounting policies and notes form part of these financial statements.

# Group cash flow statement

| | Note | Period from 8 Feb 08 to 31 Jan 09 £ | Period from 28 Jan 07 to 7 Feb 08 £ |
|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | **275,828** | 3,157,215 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **7,443** | 16,418 |
| Interest paid | | **(243,688)** | (267,416) |
| Interest element of finance leases and hire purchase | | **(46,871)** | (123,346) |
| **Net cash outflow from returns on investments and servicing of finance** | | **(283,116)** | (374,344) |
| Taxation | | **275,000** | (141,412) |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire tangible fixed assets | | **(983,136)** | (494,086) |
| Receipts from sale of fixed assets | | **249,499** | 251,914 |
| Loan repayment received | | **987,914** | - |
| **Net cash outflow for capital expenditure and financial investment** | | **254,277** | (242,172) |
| **Disposals** | | | |
| Net cash at sale of subsidiary | | **(4,730)** | - |
| **Net cash outflow from disposal of subsidiary** | | **(4,730)** | - |
| **Financing** | | | |
| (Repayment)/receipts of bank loans | | **(382,600)** | (216,287) |
| Capital element of finance leases and hire purchase | | **(685,206)** | (1,243,025) |
| **Net cash outflow from financing** | | **(1,067,806)** | (1,459,312) |
| **Increase/(decrease) in cash** | 25 | **(550,547)** | 939,975 |

The accompanying accounting policies and notes form part of these financial statements.

# Other primary statements

## Statement of total recognised gains and losses

| | Note | Period ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|---|
| Profit/(loss) for the financial period attributable to the shareholders of the parent company | | **542,140** | (1,353,474) |
| Actuarial (loss)/ gain in respect of defined benefit pension scheme | 18 | **(208,400)** | 410,000 |
| **Total gains and losses recognised for the period** | | **333,740** | (943,474) |

The accompanying accounting policies and notes form part of these financial statements.

# Notes to the financial statements

## 1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.
An analysis of turnover is given below:

| | **Period ended 31 Jan 09** | Period ended 7 Feb 08 |
|---|---|---|
| | **£** | £ |
| United Kingdom | **88,505,265** | 114,912,184 |
| Europe | **48,559** | 116,158 |
| | **88,553,824** | 115,028,342 |

## 2 Analysis of cost of sales and operating charges

| | **Continued operations** | **Discontinued operations** | **Period ended 31 Jan 09 Total** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Cost of sales | **85,369,409** | **-** | **85,369,409** |
| Administrative expenses | **2,535,227** | **-** | **2,535,227** |

| | Continued operations | Discontinued operations | Period ended 7 Feb 08 Total |
|---|---|---|---|
| | £ | £ | £ |
| Cost of sales | 92,654,250 | 19,576,629 | 112,230,879 |
| Administrative expenses | 2,912,085 | 1,322,865 | 4,234,950 |

## 3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

| | Period Ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Depreciation of owned fixed assets | **1,414,371** | 1,869,364 |
| Depreciation of assets held under finance leases and hire purchase agreements | **223,395** | 669,222 |
| Profit on disposal of fixed assets | **(77,498)** | (70,399) |
| Auditor's remuneration: | | |
| Audit fees | **22,500** | 26,000 |
| Accountancy fees | **20,550** | 64,125 |
| Operating lease costs: | | |
| Plant and equipment | **144,510** | 3,755,926 |
| Other operating lease rentals | **1,048,508** | 1,045,358 |
| Government assistance receivable | **(306,848)** | (182,976) |

## 4 Particulars of employees

The average number of staff employed by the group during the financial period amounted to:

| | Period ended 31 Jan 09 No | Period ended 7 Feb 08 No |
|---|---|---|
| Number of production staff | **99** | 234 |
| Number of administration staff | **11** | 21 |
| Number of selling staff | **9** | 9 |
| | **119** | 264 |

The aggregate payroll costs of the above were:

| | Period Ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Wages and salaries | **3,145,726** | 6,681,544 |
| Social security costs | **331,664** | 704,625 |
| Other pension costs | **283,326** | 337,062 |
| | **3,760,716** | 7,723,231 |

Other pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (see note 7) and amounts recognised in the statement of recognised gains and losses.

## 5 Directors

Remuneration in respect of directors was as follows:

| | Period Ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Emoluments receivable | **414,874** | 417,427 |
| Value of company pension contributions to money purchase schemes | **-** | - |
| | **414,874** | 417,427 |

Emoluments of highest paid director:

| | Period Ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Total emoluments (excluding pension contributions) | **169,715** | 169,505 |
| Value of company pension contributions to money purchase schemes | **-** | - |
| | **169,715** | 169,505 |

The number of directors who accrued benefits under company pension schemes were as follows:

| | Period ended 31 Jan 09 No | Period ended 7 Feb 08 No |
|---|---|---|
| Money purchase schemes | **2** | 2 |
| Defined benefit schemes | **1** | 1 |

## 6 Interest receivable

| | Period Ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Bank interest receivable | **211** | 16,418 |
| Interest receivable from related undertakings | **306,068** | - |
| Other interest receivable | **7,232** | - |
| | **313,511** | 16,418 |

## 7 Interest payable and similar charges

| | Period ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Interest payable on bank borrowing | 211,153 | 253,801 |
| Finance charges | 46,871 | 123,346 |
| Net finance costs in respect of defined benefit pension schemes | 35,000 | 46,000 |
| Other finance costs | 32,535 | 8,397 |
| | 325,559 | 431,544 |

## 8 Taxation on ordinary activities

(a) Analysis of charge in the period

| | Period ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Current tax: | | |
| UK Corporation tax based on the results for the period at 28% (2007 - 30%) | 69,104 | (164,135) |
| Over provision in prior period | - | (24,239) |
| Total current tax | 69,104 | (188,374) |
| Deferred tax: | | |
| Origination and reversal of timing differences | (15,492) | (342,765) |
| FRS 17 pension scheme timing differences | - | 32,000 |
| Tax on (loss)/profit on ordinary activities | 53,612 | (499,139) |

(b) Factors affecting current tax charge

| | Period ended 31 Jan 09 £ | Period ended 7 Feb 08 £ |
|---|---|---|
| Profit/ (loss)on ordinary activities before taxation | 637,140 | (1,852,613) |
| Profit/(loss) profit on ordinary activities by rate of tax | 180,286 | (555,784) |
| Income not taxable for tax purposes | (36,959) | - |
| Expenses not deductible for tax purposes | - | 106,910 |
| Expenses not deductible for tax purposes - fixed assets | (11,096) | 111,975 |
| Expenses not deductible for tax purposes - tax adjustments | - | (223,166) |
| Depreciation in excess of capital allowances | 106,382 | 176,941 |
| Adjustments to tax charge in respect of previous periods | - | (24,249) |
| Other timing differences | 3,040 | (7,431) |
| Difference in tax rates | - | 5,111 |
| Utilisation of tax losses | (170,373) | - |
| Marginal relief | (2,176) | - |
| Unrelieved tax losses arising in the period | - | 221,318 |
| Total current tax (note 8(a)) | 69,104 | 188,374 |

## 9 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £935 (2008 - £14,397).

## 10 Tangible fixed assets

| **Group** | **Freehold Property £** | **Plant & Equipment £** | **Total £** |
|---|---|---|---|
| Cost | | | |
| At 8 February 2008 | 9,012,769 | 15,209,303 | 24,222,072 |
| Additions | - | 1,569,836 | 1,569,836 |
| Transfer to related undertaking | (4,097,293) | (4,228,355) | (8,325,648) |
| Disposals | - | (603,067) | (603,067) |
| At 31 January 2009 | 4,915,476 | 11,947,717 | 16,863,193 |
| Depreciation | | | |
| At 8 February 2008 | 1,210,174 | 7,929,348 | 9,139,522 |
| Charge for the year | 62,680 | 1,575,086 | 1,637,766 |
| Transfer to related undertaking | (487,759) | (1,363,627) | (1,851,386) |
| On disposals | - | (431,065) | (431,065) |
| At 31 January 2009 | 785,095 | 7,709,742 | 8,494,837 |
| Net book value | | | |
| At 31 January 2009 | **4,130,381** | **4,237,975** | **8,368,356** |
| At 8 February 2008 | 7,802,595 | 7,279,954 | 15,082,549 |

Included within the net book value of £8,368,356 is £1,502,902 (2008 - £3,386,693) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £223,395 (2008 - £669,222).

Freehold property includes land held at a value of £1,321,146 (2008 - £2,351,356) which is not being depreciated.

**Company**
The company has no tangible fixed assets.

## 11 Investments

| Company | Group companies £ |
|---|---|
| Cost | |
| At 8 February 2008 | 8,758,961 |
| Disposals | (1,000) |
| At 31 January 2009 | **8,757,961** |
| Amounts written off | |
| At 8 February 2008 and 31 January 2009 | **188,300** |
| Net book value | |
| At 31 January 2009 | **8,569,561** |
| At 8 February 2008 | 8,570,661 |

At 7 February 2008 the group held 20% or more of the allotted share capital of the following:

| | Country of incorporation | Class of share capital held | Proportion held by parent company | Proportion held by the group | Nature of business |
|---|---|---|---|---|---|
| Lincolnshire Field Products Limited | England & Wales | Ordinary | 100% | 100% | Farming and its allied trades |
| LFP Marketing Limited (formerly Lincs FP Limited) | England & Wales | Ordinary | 100% | 100% | Dormant |

## 12 Stocks

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** £ | 7 Feb 08 £ | **31 Jan 09** £ | 7 Feb 08 £ |
| Growing crops and tenant right | **689,366** | 507,165 | - | - |
| Produce | **1,316,889** | 1,189,050 | - | - |
| Consumables | **1,079,728** | 897,622 | - | - |
| | **3,085,983** | 2,593,837 | - | - |

## 13 Debtors

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| **Due within one year** | | | | |
| Trade debtors | **8,328,033** | 10,450,347 | **-** | - |
| VAT recoverable | **623,156** | 281,382 | **-** | - |
| Amounts owed by related undertakings | **1,708,405** | - | **-** | - |
| Other debtors | **-** | 18,521 | **-** | - |
| Prepayments and accrued income | **1,296,942** | 1,604,482 | **-** | 584 |
| Corporation tax | **-** | 275,000 | **-** | - |
| | **11,956,536** | 12,629,732 | **-** | 584 |

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| **Due after more than one year** | | | | |
| Amounts owed by related undertakings | **4,150,000** | - | **-** | - |

## 14 Creditors: amounts falling due within one year

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| Bank loans and overdrafts | **1,220,206** | 665,377 | **199,650** | 200,400 |
| Trade creditors | **12,421,636** | 15,086,422 | **-** | - |
| Corporation tax | **69,104** | - | **-** | - |
| Amounts owed to group undertakings | **-** | - | **1,224,344** | 1,037,605 |
| Amounts owed to related undertakings | **1,070,459** | - | **-** | - |
| Amounts due under finance leases and hire purchase agreements | **383,674** | 1,048,319 | **-** | - |
| Other taxation and social security | **91,859** | 235,141 | **-** | - |
| Other creditors | **36,020** | 107,557 | **-** | - |
| Accruals and deferred income | **59,797** | 154,822 | **2,278** | 8,621 |
| | **15,352,755** | 17,297,638 | **1,426,272** | 1,246,626 |

The following liabilities disclosed under creditors falling due within one year are secured by the company:

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| Bank loans and overdrafts | **1,220,206** | 665,377 | **199,650** | 200,400 |

## 15 Creditors: amounts falling due after more than one year

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| Bank loans | **1,210,600** | 1,392,800 | **1,210,600** | 1,392,800 |
| Amounts due under finance leases and hire purchase agreements | **387,256** | 1,418,500 | **-** | - |
| Bank loans and overdrafts | **1,597,856** | 2,811,300 | **1,210,600** | 1,392,800 |

The bank loan is secured by a fixed and floating charge over the group's assets.

The variable rate loan of £2,000,000 is repayable in 119 equal monthly instalments of £16,700 beginning 3 March 2006 with a final instalment of £12,700 repayable on 3 January 2016. Interest is charged at 1.25% per annum over Lloyds TSB Bank plc base rate.

Under Financial Reporting Standard 4 the bank loans of £1,410,250 are stated net of issue costs. These costs are being amortised over the life of the loan.

Amounts due under hire purchase contracts are secured on the assets to which they relate.

## 16 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| Amounts payable within 1 year | **383,674** | 1,048,319 | **-** | - |
| Amounts payable between 1 and 2 years | **162,072** | 741,644 | **-** | - |
| Amounts payable between 3 and 5 years | **225,184** | 676,856 | **-** | - |
| | **770,930** | 2,466,819 | **-** | - |

## 17 Deferred taxation

The movement in the deferred taxation provision during the period was:

| | The group | | The company | |
|---|---|---|---|---|
| | **31 Jan 09** | 7 Feb 08 | **31 Jan 09** | 7 Feb 08 |
| | **£** | £ | **£** | £ |
| Provision brought forward | **64,054** | 406,819 | **-** | - |
| (Decrease)/increase in provision | **(15,492)** | (342,765) | **-** | - |
| Provision carried forward | **48,562** | 64,054 | **-** | - |

Deferred taxation (continued)

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

| Group | 31 Jan 09 | | 7 Feb 08 | |
|---|---|---|---|---|
| | **Provided** | **Unprovided** | Provided | Unprovided |
| | **£** | **£** | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | **51,594** | - | 227,399 | - |
| Other timing differences | **(3,132)** | - | (119) | - |
| Losses and other deductions | **-** | - | (163,226) | (132,381) |
| | **48,562** | - | 64,054 | (132,381) |
| **Company** | | | | |
| Losses and other deductions | - | - | - | - |

## 18 Pension commitments

**Defined Benefit Pension Scheme**
The Group operates a defined benefit scheme for the benefit of the employees and one director. The assets of the scheme are administered by trustees in funds independent from those of the Group.

Pension costs are assessed in accordance with the advice of a qualified actuary using the Minimum Funding Requirement method. The assumptions which have had the most significant effect on the results of the valuation are as follows:

(i) A valuation investment return of 5.7% on existing assets and new contributions.

(ii) Future pensionable salary increase of 3.6% per annum.

The most recent valuation was as at 1 July 2006.

The market value of scheme assets as at 1 July 2006 was £1,542,600. The actuarial value of those assets was sufficient to cover 57.6% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The deficit is being eliminated by increasing the contribution rates.

**Defined Contribution Pension Scheme**
The Group also operates a defined contribution scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in funds independent from those of the Group. The Group also makes contributions to the personal pension scheme of two employees.

## Pension commitments (continued)

**FRS 17 Disclosure Requirements**
The costs and liabilities of the scheme are based on actuarial valuations. The most recent actuarial valuation was carried out at 1 July 2006 and updated to 3 January 2009 by a qualified independent actuary.

Because the scheme is closed to new entrants, the current service cost under the projected unit method will increase as the member of the scheme approach retirement.

The principal actuarial assumptions used by the actuaries were as follows:

| | 2009 % | 2008 % |
|---|---|---|
| Discount rate | 6.9 | 6.3 |
| Expected return on plan assets | 5.2 | 5.4 |
| Future salary increases | 4.2 | 4.1 |
| Future pension increases | 3.7 | 3.6 |
| Inflation assumption | 3.7 | 3.6 |

The life expectancy of a male member reaching age 65 in 2009 is projected to be 87 years. The life expectancy of a female member reaching age 65 in 2009 is projected to be 88 years.

The expected return on Bonds and Other assets is determined by reference to UK long dated government bon yields at the balance sheet date, adjusted for investment management charges. The expected return on equities is based on the rate of return on bonds with an allowance for out-performance.

The amounts recognised in profit or loss are as follows:

| | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|
| Current service costs | **106,000** | 116,000 |
| Interest on obligation | **151,000** | 153,000 |
| Expected return on plan assets | **(116,000)** | (107,000) |
| Total | **141,000** | 162,000 |

The current service cost is recognised within other pensions costs and the difference between the interest on obligation and the expected return on plan asserts is recognised within finance costs.

The amounts recognised in the consolidated balance sheet are as follows

| | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|
| Fair value of plan assets | **1,937,000** | 2,066,000 |
| Present value of funded retirement benefit obligations | **(2,282,000)** | (2,344,000) |
| | **(345,000)** | (278,000) |
| Related deferred tax asset | **96,600** | 83,000 |
| Net pension liability | **(284,400)** | (195,000) |

## Pension commitments (continued)

The major categories of plan asset, as a percentage of the total plan assets, as follows:

| | **2009** **%** | **2008** **%** |
|---|---|---|
| Equities | 67 | 76 |
| Bonds | 24 | 18 |
| Property | 9 | 7 |

The actual return on plan assets was £(421,000).

Changes in the present value of the defined benefit obligation are as follows:

| | **31 Jan 09** **£** | 7 Feb 08 £ |
|---|---|---|
| Opening defined benefit obligation at start of period | **2,344,000** | 2,829,000 |
| Current service cost | **106,000** | 116,000 |
| Interest cost | **151,000** | 153,000 |
| Actuarial gains | **(315,000)** | (739,000) |
| Benefits paid | **(4,000)** | (15,000) |
| Closing defined benefit obligation at end of period | **2,282,000** | 2,344,000 |

Changes in the fair value of plan assets are as follows:

| | **31 Jan 09** **£** | 7 Feb 08 £ |
|---|---|---|
| Opening fair value of plan assets at start of period | **2,066,000** | 1,859,000 |
| Expected return | **116,000** | 107,000 |
| Actuarial losses | **(537,000)** | (153,000) |
| Contributions by employer | **296,000** | 268,000 |
| Benefits paid | **(4,000)** | (15,000) |
| Closing fair value of plan assets at end of period | **1,937,000** | 2,066,000 |

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses were £(138,000).

Amounts for the current and previous four periods are as follows

| | **2009** **£** | 2008 £ | 2007 £ | 2006 £ | 2005 £ |
|---|---|---|---|---|---|
| Fair value of plan assets | **1,937,000** | 2,066,000 | 1,859,000 | 1,523,000 | 1,095,000 |
| Present value of defined benefit obligation | **2,282,000** | 2,344,000 | 2,829,000 | 2,886,000 | 2,336,000 |
| (deficit) in the plan | **(345,000)** | (278,000) | (970,000) | (1,363,000) | (1,241,000) |
| Experience adjustments arising on plan assets | **(537,000)** | (153,000) | 57,000 | 161,000 | 22,000 |
| Experience adjustments arising on plan liabilities | **(12,000)** | (49,000) | 13,000 | 76,000 | (136,000) |

## 19 Commitments under operating leases

At 7 February 2008 the group had annual commitments under non-cancellable operating leases as set out below.

**The group**

| | **31 Jan 09** | | 7 Feb 08 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other items** | Land and Buildings | Other items |
| | **£** | **£** | £ | £ |
| Operating leases which expire: | | | | |
| Within 1 year | **231,281** | **26,136** | 122,756 | 831,174 |
| Within 2 to 5 years | **75,178** | **42,092** | 79,857 | 579,727 |
| After more than 5 years | **243,880** | - | 57,873 | - |
| | **550,339** | **68,228** | 260,486 | 1,410,901 |

## 20 Related party transactions

During the group purchased items amounting to £324,553 (2008 - £422,840) from Melanie Phair Ltd. Melanie Phair Ltd is a private limited company wholly owned by the wife of M J Tate a director of the company. These purchases were made on normal commercial terms. The amount owed to Melanie Phair Ltd by the group at the period end was £81,493 (2008 - £125,402). During the period Melanie Phair Ltd purchased from the group sundry materials at a cost of £34,249 (2008 - £43,036). The amount owed by Melanie Phair Ltd to the group at the period end was £18,328 (2008 - £14,393).

During the period the group purchased transport services amounting to £3,788,365 (2008 - £nil) from FreshLinc Ltd. FreshLinc Ltd is a private limited company wholly owned by the directors of the company. These purchases were made on normal commercial terms. The amount owed to FreshLinc Ltd by the group at the period end was £1,070,459 (2008 - £nil). During the period FreshLinc Ltd purchased from the group sundry materials and management services at a cost of £217,447 (2008 - £nil). The amount owed by FreshLinc Ltd to the group at the period end was £4,093 (2008 - £nil).

FreshLinc Limited acquired the trade and assets of the company's haulage and transport by road business on 7 February 2008. The consideration for this was made by way of an unsecured loan note. The loan note is interest bearing at 1.25% above the lending rate of Lloyds TSB Bank plc. During the current period interest of £306,068 (2008 - £nil) was receivable by the company. The amount owed by FreshLinc Limited to the company at the period end was £5,853,405 (2008 - £6,265,251).

## 21 Share capital

Authorised share capital:

| | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|
| 90,000 'A' cumulative redeemable preference shares of £1 each | **90,000** | 90,000 |
| 1,500,000 'B' cumulative redeemable preference shares of £0.75 each | **1,125,000** | 1,125,000 |
| 10,000 'A' ordinary shares of £1 each | **10,000** | 10,000 |
| 2,484 'B' ordinary shares of £1 each | **2,484** | 2,484 |
| | **1,227,484** | 1,227,484 |

Allotted and called up:

| | 31 Jan 09 No | £ | 7 Feb 08 No | £ |
|---|---|---|---|---|
| 'A' ordinary shares of £1 each | **10,000** | **10,000** | 10,000 | 10,000 |

## 22 Reserves

| **Group** | **Share premium account £** | **Capital redemption reserve £** | **Merger reserve £** | **Profit and loss account £** |
|---|---|---|---|---|
| At 8 February 2008 | 304,229 | 1,005,170 | 605,723 | 8,013,464 |
| Profit for the year | - | - | - | 583,528 |
| Defined pension benefit scheme | - | - | - | (208,400) |
| At 31 January 2009 | **304,229** | **1,005,170** | **605,723** | **8,388,592** |

| **Company** | **Share premium account £** | **Capital redemption reserve £** | **Merger reserve £** | **Profit and loss account £** |
|---|---|---|---|---|
| At 8 February 2008 | 304,229 | 1,005,170 | 605,723 | 4,006,732 |
| Profit for the year | - | - | - | 935 |
| At 31 January 2009 | **304,229** | **1,005,170** | **605,723** | **4,007,667** |

## 23 Reconciliation of movements in shareholders' funds

| **Group** | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|
| Profit/ (loss) for the financial period | **542,140** | (1,353,474) |
| Defined benefit pension scheme | **(208,400)** | 410,000 |
| Net reduction to shareholders' funds | **333,740** | (943,474) |
| Opening shareholders' funds | **9,938,586** | 10,882,060 |
| Closing shareholders' funds | **10,272,326** | 9,938,586 |

### Reconciliation of movements in shareholders' funds (continued)

| Company | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|
| Profit for the financial period | 935 | 14,397 |
| Net increase to shareholders' funds | 935 | 14,397 |
| Opening shareholders' funds | 5,931,854 | 5,917,457 |
| Closing shareholders' funds | 5,932,789 | 5,931,854 |

## 24 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £332,768 (2008 - £338,120).

## 25 Notes to the statement of cash flows

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

| | Period from 8 Feb 08 to 31 Jan 09 £ | Period from 28 Jan 07 to 7 Feb 08 £ |
|---|---|---|
| Operating Profit/(loss) | 649,188 | (1,437,487) |
| Depreciation | 1,637,766 | 2,538,586 |
| FRS17 adjustment | (190,000) | (152,000) |
| Profit on disposal of fixed assets | (77,498) | (70,399) |
| Increase in stocks | (566,237) | (201,617) |
| Decrease/(increase) in debtors | (3,590,786) | 1,090,124 |
| Increase in creditors | 2,413,395 | 1,390,008 |
| Net cash inflow from operating activities | 275,828 | 3,157,215 |

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

| | 31 Jan 09 £ | 7 Feb 08 £ |
|---|---|---|
| (Decrease)/increase in cash in the period | (550,547) | 939,975 |
| Net cash outflow from bank loans | 382,600 | 216,287 |
| Cash outflow in respect of finance leases and hire purchase | 685,206 | 1,243,025 |
| Change in net funds resulting from cash flows | 517,259 | 2,399,287 |
| Cash, loans, finance leases disposed of with subsidiary | 1,592,653 | - |
| Inception of hire purchase agreements | (586,700) | (2,038,116) |
| Change in net funds | 1,523,212 | 361,171 |
| Net debt at 7 February 2008 | (4,524,536) | (4,885,707) |
| Net debt at 31 January 2009 | (3,001,324) | (4,524,536) |

## Notes to the statement of cash flows (continued)
### Analysis of changes in net debt

| | At 7 Feb 2008 £ | Cash flows £ | Acquisitions/ disposals | Non-cash items £ | At 31 Jan 2009 £ |
|---|---|---|---|---|---|
| Cash in hand and at bank | 460 | 4,682 | (4,730) | - | **412** |
| Overdraft | (464,977) | (555,229) | - | - | **(1,020,206)** |
| | (464,517) | (555,627) | (4,730) | - | **(1,020,144)** |
| Bank loans | (1,593,200) | 382,600 | - | - | **(1,210,600)** |
| Finance leases | (2,466,819) | 685,206 | 1,597,383 | (586,700) | **(770,930)** |
| | (4,524,536) | 517,259 | 1,592,653 | (586,700) | **(3,001,324)** |

## 27 Disposals

On 8 February 2008 the group disposed of the 1,000 ordinary shares of £1 in Freshlinc Limited, being 100% of its nominal share capital for a consideration of an unsecured loan note and £1,000 by way of dividend in specie. The disposal of FreshLinc Limited was as follows.

| | Book value £ |
|---|---|
| Tangible fixed assets | 6,474,262 |
| Stocks | 74,090 |
| Debtors | 3,832,074 |
| Cash | 3,730 |
| Creditors (amounts falling due within one year) | (3,119,352) |
| Creditors (amounts falling due after more than one year) | (999,553) |
| | 6,265,251 |
| Satisfied by: | |
| Unsecured loan note | 6,264,251 |
| Dividend in specie | 1,000 |
| | 6,265,251 |