

**Company Registration No. 58397**

**TOWERS & CO LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**



## **TOWERS & CO LIMITED**

### **DIRECTORS' REPORT**

For the year ended 31 December 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

#### **Business Review and Principal Activities**

Towers & Co Limited is a leading, International Food Company specialising in the import, export and distribution of chilled, frozen and cooked meats and poultry. In addition, the company also trades in a wide variety of seafood, vegetables, dairy products and convenience foods. We have offices in Australia, Denmark, Germany, Hong Kong, New Zealand, Spain and the United Kingdom. From these offices we import and export to over 60 countries around the world.

#### **Current Market**

The decline in global activity has continued throughout 2009 and our operating results reflect these declines. This is particularly true for our UK businesses where the economic recession resulted in lower sales volumes, revenues and profit margins. This was primarily due to consumers significantly curtailing their non-essential spending, particularly with respect to eating out and business entertaining. In the UK the economic and consumer environment remained weak throughout 2009 and in the first half of 2010. We have seen many of our customers trading down from high-margin high cost lamb and beef joints and steaks to low margin low cost beef, pork and poultry products. This has had a negative effect on our margins and held our UK operations back. Our view is that the current economic conditions will persist throughout 2010 and we are therefore not forecasting any meaningful improvements in the Company's fortunes until 2011.

However, as we enter 2010 it is evident that we are now seeing the early stages of recovery in some of the European markets, particularly Germany, which has emerged from the recession much earlier than the other major European countries. The performance of our wholly owned subsidiary Rassau GmbH in Hamburg which distributes imported fish and seafood throughout Germany has undoubtedly benefitted from this return to normal market conditions. Similarly our Far East Export Division which is exporting containers of frozen low value beef, pork and poultry proteins to China, is continuing to perform well as China is continuing to grow at 10% per annum.

#### **UK Operational Performance**

Whilst the low level of profitability on a turnover of £114 mln was disappointing, given the severity of the world economic downturn our operating businesses' performance was satisfactory.

We are of the opinion that it is probably going to take many years before the UK economy regains its former strength following the financial crash of 2008. As a consequence we can expect our margins to remain under pressure throughout 2010. In view of this scenario we will continue to implement significant cost reduction measures to manage our way through this harsh economic environment.

When the UK does emerge from the recession and we see the beginning of a new business cycle our UK based companies will be far more efficient units with significantly lower weekly overheads.

**TOWERS & CO LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
For the year ended 31 December 2009

**Expansion and Future Prospects in the year ahead**

In 2010 I would expect our results to be satisfactory but not startling. The great majority of families are concerned both for their job security and for the value of their home, pension and savings. We are therefore likely to see people continuing to spend less on entertaining. The big unknown for us and every other company operating in the UK is of course the speed of recovery in the economy after such a deep and prolonged recession.

Looking further forward to the second half of 2010 we can expect food price inflation to soar again. China and other Asian economies are recovering strongly and the weak pound and Euro will place a considerable amount of upward pressure on food and energy prices which will continue to strengthen. We have had a decade or more of low cost food but it is evident that the era of cheap food is now over. There is every likelihood that by the end of 2010 food prices could be as much as 10% higher than 12 months earlier.

The other obvious area which is going to impact our business is on the supply side. In the EU livestock farmers are facing a 4th year of negative incomes and many are being forced out of business. Uneconomic cattle prices are a major problem across Europe as producers cannot continue with prices running below the cost of production. There is a serious risk of a drastic reduction in beef production across Europe. Europe's 500 million consumers rely on livestock farmers for the production of high quality safe beef produced to the highest environmental standards. Our view is that European production will continue to fall and the resulting deficit will have to be addressed by increased imports. In time this will benefit our business.

**Expansion**

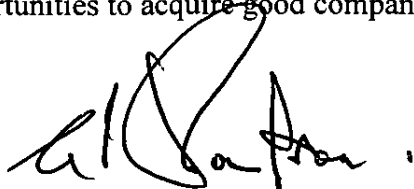
Whilst we have consolidated over the past 18 months we will nevertheless take advantage of the many opportunities to improve and strengthen the company on a low cost and low risk basis.

The recent failure of British Seafood presented us with an excellent opportunity to establish a UK based import and distribution business on very similar lines to our highly successful seafood business in Hamburg which we purchased from Maple Leaf, Toronto in March 2007. A team of experienced people from a British Seafood subsidiary started Towers Thompson Seafood in April 2010.

The Group has recently opened an export office in the Republic of Ireland which will complement our Far East Export Division which has offices in Spain, Germany and England. The Irish office will focus on exports of English and Irish Pork, Beef and Poultry products to Hong Kong, China, Vietnam, Korea and South Africa.

Our balance sheet and competitive position in the market remains strong. We have first class people in place to run our companies in good times and in bad. Our main competitors who have not diversified into other food sectors and lack any real overseas presence will have to absorb the full force of the downturn without the benefit of any upside from overseas earnings. The continued failure of some of the weaker companies in the seafood and meat industry will continue to present us with further opportunities to acquire good companies at a realistic price.

Alan Thompson  
Chief Executive  
24 September 2010



**TOWERS & CO LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
For the year ended 31 December 2009

**Key Performance Indicators**

The main KPI, gross margin, decreased from 9.3% in 2008 to 9.1% in 2009

**Financial Instruments**

The major foreign currency involved in the company's trading activities is the US dollar. The company's policy is to hedge using forward foreign exchange contracts as soon as commitment has been given to the underlying transaction

Practically all sales made on credit terms to the company's customers are covered by credit insurance policies covering a number of different geographical territories

**Results and Dividend**

The results for the year are set out in the profit and loss account on page 8. Dividends paid during the year amounted to £105,000 (2008: £750,000)

**Directors**

Details of directors who held office during the financial year are:

D L Clark (retired 20/08/2010)  
T G Goddard  
A P Thompson  
P Dolan

**TOWERS & CO LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

For the year ended 31 December 2009

**Political and Charitable Donations**

The Company made no political contributions during the current or prior year. Donations to UK charities amounted to £2,000 (2008 £2,000)

**Employment of Disabled Persons**

The Company's policy and practice is to encourage and assist the employment of disabled people and to retain employees who become disabled

**Employees**

The Company considers that a loyal and highly skilled workforce is essential to the future of its business, and therefore recognises that employees should be kept informed of the progress of their business and of the Company as a whole

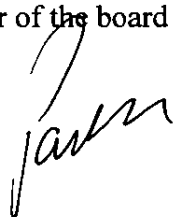
**Disclosure of Information to Auditors**

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

**Auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



**P Dolan**  
**Director**

Turnford Place  
Great Cambridge Road  
Broxbourne  
Hertfordshire  
EN10 6NH

24 September 2010

## **TOWERS & CO LIMITED**

### **Statement of directors' responsibilities**

For the year ended 31 December 2009

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 profit or loss of the company for that period

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of Towers & Co Limited**

We have audited the financial statements of Towers and Co Limited for the year ended 31 December 2009, set out on pages 8 - 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 year 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,

**Independent Auditors' Report to the members of Towers & Co Limited (continued)**

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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 require for our audit

Mike Woodward

Mike Woodward (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
Aquis Court  
31 Fishpool Street  
St Albans  
Hertfordshire  
AL3 4RF

24 September 2010



## **TOWERS & CO LIMITED**

### **Profit and Loss Account**

For the Year Ended 31 December 2009

	<i>Note</i>	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>Turnover</b>	1,2	<b>113,959</b>	118,645
Cost of Sales		<b>(103,542)</b>	(107,616)
<b>Gross Profit</b>		<b>10,417</b>	11,029
Distribution Costs		<b>(2,520)</b>	(2,902)
Administrative Expenses		<b>(7,877)</b>	(7,697)
<b>Operating Profit</b>	4	<b>20</b>	430
Income from shares in Subsidiary Undertakings		<b>584</b>	-
Interest Receivable and Similar Income	5	<b>1</b>	19
Interest Payable and Similar Charges	6	<b>(379)</b>	(753)
Other Finance Income	7	<b>41</b>	59
<b>Profit/(Loss) on Ordinary Activities Before Taxation</b>		<b>267</b>	(245)
Tax credit on Profit/(Loss) on Ordinary Activities	8	<b>(212)</b>	(32)
<b>Profit/(Loss) for the Financial Year</b>	20	<b>479</b>	(213)

All of the company's activities are derived from continuing operations. There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

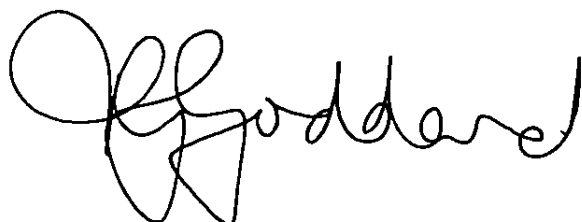
The accompanying notes on pages 11-24 are an integral part of the financial statements.

**TOWERS & CO LIMITED****BALANCE SHEET**

As at 31 December 2009

	<i>Note</i>	<b>2009</b>		<b>2008</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets</b>					
Tangible Assets	10		<b>1,964</b>		2,251
Investments	11		<b>2,846</b>		<b>2,846</b>
			<b>4,810</b>		<b>5,097</b>
<b>Current Assets</b>					
Stocks	12	<b>9,520</b>		12,694	
Debtors	13	<b>19,381</b>		16,750	
Cash at Bank and in hand		<b>771</b>		<b>1,195</b>	
		<b>29,672</b>		<b>30,639</b>	
Creditors due within one year	15	<b>(20,773)</b>		<b>(22,245)</b>	
<b>Net Current Assets</b>			<b>8,899</b>		<b>8,394</b>
<b>Total Assets Less Current Liabilities</b>			<b>13,709</b>		<b>13,491</b>
Creditors due after more than one year	16		<b>(168)</b>		<b>(159)</b>
<b>Net Assets excluding pension asset</b>			<b>13,541</b>		<b>13,332</b>
<b>Pension Asset</b>	21		<b>148</b>		<b>260</b>
<b>Net Assets including pension asset</b>			<b>13,689</b>		<b>13,592</b>
<b>Capital and Reserves</b>					
Called Up Share Capital	18		<b>13,549</b>		<b>13,549</b>
Profit and Loss Account	19		<b>140</b>		<b>43</b>
<b>Shareholder's Funds</b>	20		<b>13,689</b>		<b>13,592</b>

These financial statements were approved by the board of directors on 24 September 2010 and were signed on its behalf by:



**Terry G Goddard**  
**Director**

Company Registration number 58397

The accompanying notes on pages 11-24 are an integral part of the financial statements.

**TOWERS & CO LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the Year ended 31 December 2009

	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Profit/(Loss) for the Financial Year	<b>479</b>	<b>(213)</b>
Actuarial loss recognised in the pension scheme	<b>(594)</b>	<b>(759)</b>
Deferred tax arising on losses in the pension scheme	<b>166</b>	<b>212</b>
Effect of recoverable surplus limit	<b>210</b>	<b>257</b>
Deferred tax on recoverable surplus limit	<b>(59)</b>	<b>(71)</b>
Total recognised gains and losses relating to the financial year	<b>202</b>	<b>(574)</b>

The accompanying notes on pages 11-24 are an integral part of the financial statements.

# **TOWERS & CO LIMITED**

## **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009

### **1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The following amendments to standards have been adopted in these financial statements for the first time, however none of these have any material effect on the financial statements and there has been no need for a change in accounting policy or a prior year adjustment as a result

- The amendment to FRS 8 'Related Parties Disclosures' has the effect that only wholly-owned subsidiaries are exempt from disclosure of intra-group transactions and there is no longer a disclosure exemption available in parent company's own financial statements.
- The amendment to FRS 20 'Share Based Payments' on vesting conditions and cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and amends the accounting for cancellations and settlements by parties other than the entity
- The amendment to FRS 21 'Events after the balance sheet date' confirms that no obligation exists at the balance sheet date for dividends declared after that date

#### **Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the Company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Towers Thompson Holdings Limited, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Towers Thompson Holdings Limited, within which this Company is included, are available to the public and can be obtained from Turnford Place, Great Cambridge Road, Turnford, Hertfordshire, EN10 6NH

#### **Turnover**

Turnover represents the invoiced value of sales during the year excluding transactions between companies within the group and excluding value added tax where applicable. Turnover is recognised upon despatch of the goods or services

#### **Depreciation**

The cost or valuation of tangible fixed assets is written off on a straight line basis over their estimated useful lives. Principal rates of depreciation in use by the Company are -

Freehold Buildings	-	1% - 2%
Leasehold Property	-	Period of Lease
Plant and Equipment	-	15%-20%
Motor Vehicles	-	20%-25%

# **TOWERS & CO LIMITED**

## **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

### **1. ACCOUNTING POLICIES (continued)**

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises purchase price including freight, insurance, landing charges and transport.

#### **Taxation**

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date. Full provision is made for all timing differences except as otherwise required by FRS19. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

#### **Lease Purchase and Operating Leases**

Assets held under lease purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Interest is charged to the profit and loss account in proportion to the capital repayments outstanding. Rentals payable under operating leases are charged against income on a straight line basis over the life of the lease.

#### **Pension Costs**

The Company operates both a defined contribution scheme and pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged against profits in respect of the defined contribution scheme represents the contributions payable to the scheme in respect of the accounting period.

In terms of the defined benefit scheme the pension scheme assets are measured using market values. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full and presented on the face of the balance sheet. The movement in the scheme surplus/deficit is split between operating charges, financing items and, in the statement of total recognised gains and losses, actuarial gains and losses.

#### **Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### **Dividends on Shares Presented Within Shareholders' Funds**

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

# **TOWERS & CO LIMITED**

## **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

### **Financial Guarantee Contracts**

The company has not adopted amendments to FRS26 and FRS12 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2008

Where a company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make payment under the guarantee.

The company does not expect amendments to have any impact on the financial statements for the period commencing 1 January 2010

## **2. ANALYSIS OF TURNOVER**

All the company's turnover is derived from the company's main activity, meat, poultry, seafood and vegetable wholesaling

Turnover is analysed by geographical market as follows

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	<b>89,307</b>	91,663
Europe	<b>11,352</b>	15,370
Rest of World	<b>13,300</b>	11,612
	<b><u>113,959</u></b>	<b><u>118,645</u></b>

## **3. EMPLOYEES AND DIRECTORS**

The average number of employees, including directors, during the year was as follows

	<b>Number of employees</b>	
	<b>2009</b>	<b>2008</b>
Management	<b>4</b>	4
Administration	<b>32</b>	32
Production & Distribution	<b>92</b>	96
	<b><u>128</u></b>	<b><u>132</u></b>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
The aggregate payroll costs of these persons were as follows		
Wages and Salaries	<b>4,060</b>	4,312
Social Security Costs	<b>421</b>	437
Other Pension Costs	<b>211</b>	190
	<b><u>4,692</u></b>	<b><u>4,939</u></b>

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration paid to executive directors	<b>536</b>	545
Pension contributions	<b>88</b>	80
	<b><u>624</u></b>	<b><u>625</u></b>

# **TOWERS & CO LIMITED**

## **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

The remuneration paid to the highest paid director, excluding defined benefit pension contributions, amounted to £142,000 (2008 £144,000) Pension contributions of £27,000 (2008 £24,000) were paid on his behalf during the year

All four directors accrued retirement benefits under a company defined benefit scheme in both the current and the previous year The highest paid director had an accrued pension at the year-end of £66,000 (2008 £62,000).

### **4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting)

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration		
Audit of the financial statements	<b>63</b>	63
Other services relating to taxation	<b>11</b>	15
Operating lease charges		
Plant & Machinery	<b>14</b>	5
Other	<b>262</b>	264
Depreciation - owned assets	<b>429</b>	320
- leased assets	<b>76</b>	90
Profit on disposal of fixed assets	<b>(14)</b>	(36)

### **5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
On Bank Deposits	<b>1</b>	19

### **6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Finance charges payable in respect of finance leases and hire purchase contracts	<b>5</b>	12
On Bank Loans and Overdrafts	<b>330</b>	741
Group Interest	<b>44</b>	-
	<b>379</b>	753

### **7. OTHER FINANCE INCOME**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Expected return on pension scheme assets	<b>253</b>	305
Interest on pension scheme liabilities	<b>(212)</b>	(199)
Effect of irrecoverable surplus	<b>-</b>	(47)
	<b>41</b>	59

**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

Analysis of charge in year	2009 £'000	2008 £'000
UK Corporation Tax at 28% (2008 28%)		
Current tax on income for the year	-	(1)
Deferred tax (see note 14)		
Origination/reversal of timing differences	(276)	(140)
Total deferred tax	(276)	(140)
Deferred tax on pension scheme asset	64	109
Tax on profit/(loss) on ordinary activities	(212)	(32)

**Factors affecting the tax charge for the current period**

The current tax charge for the year is lower (2008 lower) than the standard rate of corporation tax in the UK 28%, (2008. 28%) The differences are explained below:

	2009 £'000	2008 £'000
Current tax reconciliation		
Profit/(Loss) on ordinary activities before tax	267	(245)
Current tax at 28% (2008 28%)	75	(68)
Effects of		
Expenses not deductible for tax purposes	11	2
Difference between depreciation and capital allowances	5	(14)
Tax loss carried forward	136	184
Non taxable income	(163)	-
Other timing differences	(64)	(105)
Total current tax credit (see above)	-	(1)

**Factors that may affect future current and total tax charges**

As a result of the change to the corporation tax rate from 28% to 27% enacted by the House of Commons on 27 July 2010, deferred tax balances post 1 January 2010 will be calculated at 27%

**9. DIVIDENDS PAID**

	2009 £'000	2008 £'000
Dividends – paid	105	750

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil (2008 £nil)



**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**10. TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £'000	Short Leasehold Property £'000	Plant, Equipment & Vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2009	139	132	5,532	5,803
Additions	-	-	264	264
Disposals	-	-	(430)	(430)
At 31 December 2009	<u>139</u>	<u>132</u>	<u>5,366</u>	<u>5,637</u>
<b>Depreciation</b>				
At 1 January 2009	5	131	3,416	3,552
Charge For Year	-	-	505	505
Disposals	-	-	(384)	(384)
At 31 December 2009	<u>5</u>	<u>131</u>	<u>3,537</u>	<u>3,673</u>
<b>Net Book Value</b>				
At 31 December 2009	<u>134</u>	<u>1</u>	<u>1,829</u>	<u>1,964</u>
At 1 January 2009	<u>134</u>	<u>1</u>	<u>2,116</u>	<u>2,251</u>

The net book value of leased assets is £287,000 within plant, equipment and vehicles (2008 £389,000) Depreciation charged to the profit and loss account on these assets during the year was £76,000 (2008 £90,000)

**11. FIXED ASSET INVESTMENTS**

	Shares in Subsidiary Undertakings £'000
Cost at 1 January and 31 December 2009	<u>2,846</u>

Details of the principal subsidiary undertakings are listed in Note 24

**12. STOCKS**

	2009 £'000	2008 £'000
Finished Goods	<u>9,520</u>	<u>12,694</u>

**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**13. DEBTORS**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts receivable within one year.		
Trade Debtors	<b>10,321</b>	8,246
Amounts owed by Group Undertakings	<b>8,134</b>	7,911
Other Debtors	<b>132</b>	121
Corporation Tax	<b>6</b>	6
Prepayments and accrued income	<b>260</b>	214
	<b><u>18,853</u></b>	<b><u>16,498</u></b>
Amounts receivable after more than one year		
Deferred tax asset (Note 14)	<b>528</b>	252
	<b><u>19,381</u></b>	<b><u>16,750</u></b>

**14. DEFERRED TAXATION**

The elements of deferred taxation are as follows

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Difference between accumulated depreciation and capital allowances	<b>80</b>	(10)
Effect of trading losses	<b>448</b>	262
	<b><u>528</u></b>	<b><u>252</u></b>

**15. CREDITORS DUE WITHIN ONE YEAR**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank Overdrafts	<b>9,898</b>	11,722
Obligations under Finance Leases & Hire Purchase Contracts	<b>110</b>	71
Trade Creditors	<b>5,658</b>	4,908
Amounts owed to Group Undertakings	<b>1,654</b>	1,642
Taxation and Social Security	<b>150</b>	171
Other Creditors	<b>332</b>	597
Accruals and Deferred Income	<b>2,971</b>	3,134
	<b><u>20,773</u></b>	<b><u>22,245</u></b>

The majority of the Company's bank overdrafts are secured by a debenture

**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**16. CREDITORS DUE AFTER MORE THAN ONE YEAR**

	2009 £'000	2008 £'000
Obligations under Finance Leases and Hire Purchase Contracts	168	159
	<u>168</u>	<u>159</u>

**17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS**

	2009 £'000	2008 £'000
Amounts payable		
Within one year	110	71
In second to fifth years	168	159
	<u>278</u>	<u>230</u>
Lease purchase contracts are analysed as follows		
Current obligations	110	71
Non current obligations	168	159
	<u>278</u>	<u>230</u>

**18. CALLED UP SHARE CAPITAL**

	At 1 January and 31 December 2009 £'000
<b>Authorised</b>	
17,000,000 ordinary shares at £1 each	<u>17,000</u>
<b>Allotted, called up and fully paid</b>	
13,548,673 ordinary shares at £1 each	<u>13,549</u>
Shares classified in shareholders' funds	<u>13,549</u>

**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**19. RESERVES**

<b>Profit and Loss Account</b>	<b>2009 £000</b>	<b>2008 £000</b>
Opening reserves	43	1,367
Profit/(Loss) for the financial year	479	(213)
Dividend paid	(105)	(750)
Actuarial loss	(428)	(547)
Effect of recoverable surplus limit	151	186
At end of year	<u>140</u>	<u>43</u>
Profit and loss reserve		
Excluding pension surplus	(8)	(217)
Pension surplus	148	260
Profit and loss reserve	<u>140</u>	<u>43</u>

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	<b>2009 £'000</b>	<b>2008 £'000</b>
Profit/(Loss) for the Financial Year	479	(213)
Dividends paid	(105)	(750)
Actuarial loss	(428)	(547)
Effect of recoverable surplus limit	151	186
Net addition to/(reduction in) Shareholder's Funds	<u>97</u>	<u>(1,324)</u>
Opening Shareholder's Funds	13,592	14,916
Closing Shareholder's Funds	<u>13,689</u>	<u>13,592</u>

## **TOWERS & CO LIMITED**

### **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

#### **21. PENSION COSTS**

Contributions in respect of the Towers Scheme are determined on a money purchase (defined contribution) basis and the pension costs of £114,000 (2008 £103,000) reflects the amount of contributions during the calendar year. No contributions (2008 £Nil) were payable to the fund at the year-end and included in creditors

Contributions to the group's defined benefits scheme (the John Silver Scheme) are charged to the profit and loss account so as to spread the cost of the pension over the employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The John Silver Scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method, when expressed as a percentage of the pensionable payroll, can be expected to increase over time, as the average age of the membership increases.

The most recent actuarial valuation for the John Silver Scheme was carried out on 1 November 2006 and assessed on the Continuing Valuation basis. The realisable value of the Scheme's assets at that date were £3,525,000 and the actuarial value of those assets represented 89% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The funding shortfall identified by the actuarial valuation was eliminated by special employer contributions of £200,000 and £250,000 paid in December 2006 and November 2007 respectively.

Since 1 November 2006 on the advice of the Scheme Actuary the Company has been paying contributions at the standard Company contribution rate of 33.2% of Pensionable Earnings.

The pension contribution made by the company over the year to the John Silver Scheme was £247,000 (2008 £387,000). No contributions were outstanding to the fund at the year-end (2008: £nil).

The actuarial valuation of the scheme at 1 November 2006 was updated to 31 December 2009 on a set of assumptions consistent with those required under FRS17 by a qualified actuary. The major assumptions used by the actuary were:

	<b>2009</b>	<b>2008</b>
Rate of increase in pensionable salaries	<b>3.5%</b>	2.9%
Rate of increases in pensions in payment (3% pre 06/04/97)	<b>3.4%</b>	3.3%
Rate of increases in pensions in payment (LPI with a minimum of 3%)	<b>3.4%</b>	3.3%
Discount rate	<b>5.6%</b>	6.3%
Rate of revaluation of deferred pensions	<b>3.5%</b>	2.9%
Inflation assumption	<b>3.5%</b>	2.9%

# **TOWERS & CO LIMITED**

## **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

### **21. PENSION COSTS (continued)**

In valuing the liabilities of the pension plan at 31 December 2009, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2009 would have increased by £136,000 before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard achievable mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pension age 65: 23.8 years (male), 26.9 years (female)
- Future retiree upon reaching 65: 24.4 years (male), 27.5 years (female).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	<b>4,785</b>	3,912
Present value of scheme liabilities	<b>(4,578)</b>	(3,341)
Surplus in the scheme	<b>207</b>	571
Effect of recoverable surplus limit	-	(210)
Surplus to be recognized	<b>207</b>	361
Related deferred tax asset	<b>(59)</b>	(101)
Net pension asset	<b>148</b>	260

#### **Movements in present value of defined benefit obligation**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Scheme liabilities at start of the year	<b>3,341</b>	3,347
Movement in year		
Current service cost	<b>58</b>	59
Interest cost	<b>212</b>	199
Contributions by scheme participants	<b>39</b>	37
Actuarial loss/(gain)	<b>985</b>	(268)
Benefits paid	<b>(57)</b>	(33)
Scheme liabilities at end of the year	<b>4,578</b>	3,341

**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**21. PENSION COSTS (continued)****Movement in fair value of plan assets**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets at start of year	<b>3,912</b>	4,243
Expected return on scheme assets	<b>253</b>	305
Actuarial gains/(losses)	<b>391</b>	(1,027)
Contributions by employer	<b>247</b>	387
Contributions by scheme participants	<b>39</b>	37
Benefits paid	<b>(57)</b>	(33)
Fair value of scheme assets at end of the year	<b><u>4,785</u></b>	<b><u>3,912</u></b>

The scheme has a small number of pensions in payment relating to previous member retirements, which have been fully secured through an insurance company. The value of these insured liabilities has been excluded from the calculation of the present scheme liabilities. Similarly the market value of assets held by the insurance companies in respect of these policies has been excluded from the company's above disclosure.

<b>Expenses recognised in the profit and loss account</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	<b><u>58</u></b>	<u>59</u>
Interest on pension scheme liabilities	<b>212</b>	199
Expected return on pension scheme assets	<b>(253)</b>	(305)
Effect of irrecoverable surplus	<b>-</b>	47
	<b><u>17</u></b>	<u>-</u>

The expense is recognised in the following line items in the profit and loss account

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Administration Expenses	<b>58</b>	59
Other Finance Income	<b>(41)</b>	(59)
	<b><u>17</u></b>	<u>-</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £594,000 (2008 759,000)

**TOWERS & CO LIMITED****NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

**21. PENSION COSTS (continued)**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Equities	<b>2,595</b>	2,006
Bonds	<b>2,092</b>	1,899
Cash	<b>98</b>	7
	<b>4,785</b>	<b>3,912</b>
Actual return/(loss) on plan assets	<b>644</b>	<b>(722)</b>
Long-term rate of return expected at 31 December	<b>2009</b>	<b>2008</b>
Equities	<b>7.00%</b>	7.20%
Bonds	<b>4.75%</b>	6.30%
Cash	<b>3.50%</b>	3.40%

**The history of the plan for the current and prior periods is as follows:**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	<b>4,785</b>	3,912	4,243	3,775	3,059
Present value of scheme liabilities	<b>4,578</b>	3,341	3,347	3,619	3,237
Surplus / (deficit) in scheme	<b>207</b>	571	896	156	(178)
Experience adjustment on scheme assets	<b>391</b>	(1,027)	(38)	58	300
Experience adjustment on scheme liabilities	<b>4</b>	(6)	(25)	68	15

The best estimate of contributions to be paid by the employer to the scheme for the period beginning after 31 December 2009 is £97,000



## **TOWERS & CO LIMITED**

### **NOTES TO THE ACCOUNTS**

For the Year Ended 31 December 2009 (continued)

#### **22. COMMITMENTS**

The minimum annual lease payments to which the company was committed under non-cancellable operating leases at 31 December 2009 were as follows

	Land and Buildings	
	2009	2008
	£'000	£'000
Operating leases which expire		
Within one year	-	-
In second to fifth years		
inclusive	235	233
	<u>235</u>	<u>233</u>

#### **23. ULTIMATE PARENT COMPANY**

The ultimate holding company during the year was Towers Thompson Holdings Limited, a company incorporated in England and Wales. A copy of the accounts is available from the address on page 12. The largest and smallest group in which the results of the company are consolidated is Towers Thompson Holdings Limited.

#### **24. SUBSIDIARY UNDERTAKINGS**

The principal subsidiary undertakings all of which are wholly owned are as follows

Operating Subsidiary	Activity	Country of Incorporation	Ordinary Share Capital
Towers Thompson A/S	Meat Traders	Denmark	100%
Towers Thompson (Australia) Pty Ltd	Meat Traders	Australia	100%
Towers Thompson (New Zealand) Ltd	Meat Traders	New Zealand	100%
Rassau Seafood GmbH	Seafood Distribution	Germany	100%

These subsidiaries are included in the consolidated results of the parent company, Towers Thompson Holdings Limited.