

STONEGATE FARMERS LIMITED
AND SUBSIDIARY COMPANIES
REPORT AND FINANCIAL STATEMENTS
For the Year ended 30 September 2005

Registered No: 740635



Stonegate Farmers Limited and Subsidiary Companies

COMPANY INFORMATION

For the year ended 30 September 2005

DIRECTORS

M R J Kent, BA (Hons), (Chairman)
N I Rogers, FCCA
R L Swaffield, FCA

SECRETARY

R L Swaffield, FCA

REGISTERED OFFICE

The Old Sidings
Corsham Road
Lacock
Wiltshire
SN15 2LZ

AUDITORS

Albert Goodman
Chartered Accountants
Mary Street House
Mary Street
Taunton
Somerset
TA1 3NW

BANKERS

HSBC Bank PLC
86 High Street
Honiton
EX14 1JN

Stonegate Farmers Limited and Subsidiary Companies

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Stonegate Farmers Limited and Subsidiary Companies

CHAIRMAN'S REVIEW

For the year ended 30 September 2005

OVERVIEW

In a tough marketplace we have consolidated on our position from last year with the full integration of Thames Valley Foods now complete. Our post tax results of the year to September 2005 are £1,197,775.

FINANCE

The position of the Board of Directors has not changed and is to maximise the long-term value of the business. We have continued with this strategy of re-investment, we are continuing to look at disposing of redundant properties and re-investing any sale proceeds into current growth areas of our business. The Board is therefore recommending that no dividend be paid for the 2004/05 financial year.

FARMS DIVISION

The focus on matching the supply on demand of egg continues. As a result of a general market moves the Company no longer has the requirement for the volumes of egg its own farms currently produce. In conjunction with this and possible property gains the Company has identified a few of its own farms, which shall be sold when the right opportunity presents itself.

CONTRACT PRODUCERS

We continue to work closely with our producer base and continue to exchange information and share best practice with them. I am aware of the difficulties the current situation regarding bird disease brings but would like to thank the producers for their continued investment and support.

PACKING DIVISION

The policy of investment has lead to efficiencies through higher packer volumes through our owned site. This allows us to remain ahead of our competition and to deliver a least cost position to our customers

LIQUID DIVISION

With the closure of our old processing plant complete the liquid division is beginning to exploit in the market place the advantages of the current processing arrangement. I believe with the structure now in place we can continue to supply these commodity based products in an ever-tougher market place.

STAFF

The loyalty and commitment of our staff continues to amaze me. I would like to thank everyone for helping me and the board of Directors to consolidate the Stonegate and Thames Valley businesses and make it an organisation that can continue to trade profitably in an ever-tougher market place.

Regards



M.R.J. Kent
Chairman

1 June 2006

Stonegate Farmers Limited and Subsidiary Companies

REPORT OF THE DIRECTORS

For the year ended 30 September 2005

The Directors submit their forty third annual report and financial statements for the year ended 30 September 2005.

RESULTS AND DIVIDEND

The profit for the period after taxation, attributable to shareholders, was £1,197,775 (2004: £1,316,715)). No dividends have been paid or proposed for the period (2004: £nil).

The state of affairs of the Group is shown on page 9.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group is the production, packing and marketing of eggs and egg products. A review of the business and future developments is contained within the Chairman's Review on pages 2 and 3.

FUTURE DEVELOPMENTS

The directors continue to seek opportunities for growth and consolidation both within the group and in the wider industry.

DIRECTORS

The Directors listed on page 1 served in office throughout the year apart from R L Swaffield who was appointed a director on 13th April 2005.

The Director retiring by rotation is M R J Kent who, being eligible, offers himself for re-election.

DIRECTORS' SHARE INTERESTS

The share interests of directors in office at the end of the year, including their families where applicable, were as follows:

	Beneficial Ordinary Shares		Indirect Ordinary Shares	
	2005	2004	2005	2004
M R J Kent	-	-	1,279,833	1,274,173
N I Rogers	-	-	-	-
R L Swaffield	80	80	-	-

The indirect interest of Mr M R J Kent arises through his position as trustee of the Clifford Kent Pension Scheme and controlling interests in Clifford Kent Holdings Limited and its subsidiary companies, the beneficial holders of the shares.

No rights to subscribe for shares were granted to or exercised by any directors during the year.

EMPLOYEES

The Directors recognise that the future success of the business is highly dependent upon the loyalty, skills and motivation of the Group's employees and, therefore, encourage the supply of information on the progress of their business unit and the Group as a whole.

Employee participation in improving the efficiency of the business is actively sought at all levels through regular meetings.

The Group recognises its responsibility to give full and fair consideration to applications for employment by disabled persons having regard to their particular aptitudes and abilities as well as ensuring that any person becoming disabled whilst employed is provided with, as far as is practicable, equal opportunities for training and career developments.

Stonegate Farmers Limited and Subsidiary Companies
REPORT OF THE DIRECTORS
For the year ended 30 September 2005

AUDITORS

Albert Goodman have agreed to offer themselves for appointment as auditors of the Company and a resolution will be put to the Annual General Meeting proposing them as auditors under Section 384 (1) of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

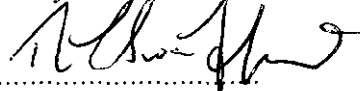
The Directors are required under company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements they are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Registered Office
The Old Sidings
Corsham Road
Lacock
Wiltshire
SN15 2LZ

By Order of the Board



R L Swaffield
Secretary

1 June 2006

Stonegate Farmers Limited and Subsidiary Companies
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEGATE FARMERS LIMITED
For the year ended 30 September 2005

We have audited the financial statements on pages 7 to 29 of Stonegate Farmers Limited for the year ended 30 September 2005. These financial statements have been prepared under the accounting policies set out on pages 11 to 12.

This report is made solely to the company's member as a body, in accordance with section 235 of the Companies Act 1985. Our 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities, on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

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

Basis of audit opinion

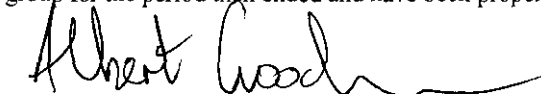
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 circumstances, consistently applied and adequately disclosed.

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

Qualified opinion arising from disagreement about accounting treatment

Included within tangible assets are freehold operating properties valued at an amount of £15,104,776. These properties have been included at open market value, based on valuations provided for the Company's bankers. The appropriate Financial Reporting Standard 15 – Tangible Fixed Assets, requires that such properties should be valued on the basis of open market value with existing use, although this was not specified in the instruction to the valuers. Because of the additional costs that would be involved in re-instructing the valuers, a further valuation on the existing use basis has not been performed and therefore it is not possible to quantify whether there would be any material difference in the valuations.

Except for the failure to revalue the freehold operating properties in accordance with FRS 15, in our opinion the financial statements give a true and fair view of the state of the company and the group as at 30 September 2005 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ALBERT GOODMAN
Chartered Accountants and Registered Auditor
Mary Street House
Mary Street
Taunton
TA1 3NW

2 June 2006

THESE FINANCIAL STATEMENTS ARE NOT FINAL UNTIL SIGNED AND DATED BY ALBERT GOODMAN
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Stonegate Farmers Limited and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2005

		2005	2004
TURNOVER	Notes	£	£
Group companies	1	<u>103,442,646</u>	<u>108,567,633</u>
Net operating expenses	2	(101,067,400)	(106,771,636)
OPERATING PROFIT	4	<u>2,375,246</u>	<u>1,795,997</u>
Re-organisational costs		(503,343)	-
Profit on disposal of fixed assets		434,039	339,861
Impairment of fixed assets		<u>(236,576)</u>	<u>-</u>
Profit on ordinary activities before interest and taxation		2,069,366	2,135,858
Net interest payable	5	(917,469)	(906,800)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,151,897</u>	<u>1,229,058</u>
Taxation	6	<u>45,878</u>	<u>87,657</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,197,775	1,316,715
Dividends		-	-
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	<u>1,197,775</u>	<u>1,316,715</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Stonegate Farmers Limited and Subsidiary Companies
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 September 2005

	2005	2004
	£	£
Profit for the financial year	1,197,775	1,316,715
Unrealised surplus on revaluation of properties	7,574,696	-
Deferred tax on revaluations	(664,541)	-
Total recognised gains and losses relating to the year	<u>8,107,930</u>	<u>1,316,715</u>

Stonegate Farmers Limited and Subsidiary Companies

BALANCE SHEETS

For the year ended 30 September 2005

		GROUP		COMPANY	
	Notes	2005 £	2004 £	2005 £	2004 £
FIXED ASSETS					
Intangible assets	8	3,073,251	3,265,328	-	-
Tangible assets	9	23,736,730	16,808,901	12,615,366	7,541,125
		<u>26,809,981</u>	<u>20,074,229</u>	<u>12,615,366</u>	<u>7,541,125</u>
INVESTMENTS					
Investments in subsidiaries	10	-	-	823,973	823,973
Other		6,069	6,069	6,069	6,069
		<u>6,069</u>	<u>6,069</u>	<u>830,042</u>	<u>830,042</u>
		26,816,050	20,080,298	13,445,408	8,371,167
CURRENT ASSETS					
Stocks	11	5,025,488	5,300,870	1,055,306	912,450
Debtors	12	17,851,207	11,851,340	14,152,103	11,726,574
Cash at bank and in hand		5,578,955	5,367,871	123	462
		<u>28,455,650</u>	<u>22,520,081</u>	<u>15,207,532</u>	<u>12,639,486</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	13	(24,510,843)	(24,695,367)	(12,676,631)	(13,405,803)
NET CURRENT ASSETS/(LIABILITIES)					
		<u>3,944,807</u>	<u>(2,175,286)</u>	<u>2,530,901</u>	<u>(766,317)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		30,760,857	17,905,012	15,976,309	7,604,850
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	14	(10,143,248)	(6,016,890)	(9,084,401)	(3,747,581)
PROVISIONS FOR LIABILITIES AND CHARGES:					
Deferred taxation	16	(865,997)	(244,440)	(142,540)	(55,391)
Net assets		<u>19,751,612</u>	<u>11,643,682</u>	<u>6,749,368</u>	<u>3,801,878</u>
CAPITAL AND RESERVES					
Called up share capital	17	2,678,771	2,678,771	2,681,527	2,681,527
Reserves	18	17,072,841	8,964,911	4,067,841	1,120,351
Equity shareholders' funds	19	<u>19,751,612</u>	<u>11,643,682</u>	<u>6,749,368</u>	<u>3,801,878</u>

The financial statements were approved by the Board of Directors on 1 June 2006

M R J Kent

N I Rogers

Stonegate Farmers Limited and Subsidiary Companies
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2005

	Notes	2005 £	2004 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	908,805	2,586,717
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(858,413)	(851,337)
Interest received		21,375	19,064
Finance lease and hire purchase interest paid		(80,431)	(74,527)
		<u>(917,469)</u>	<u>(906,800)</u>
TAXATION			
Corporation tax paid		-	-
CAPITAL EXPENDITURE			
Purchase of:			
Tangible fixed assets		(1,570,424)	(3,232,805)
Disposals of:			
Tangible fixed assets		2,090,400	1,914,897
		<u>519,976</u>	<u>(1,317,908)</u>
ACQUISITIONS AND DISPOSALS OF SUBSIDIARY COMPANIES			
Deposit paid for subsidiary company		(4,358,000)	-
Cash (outflow)/inflow before financing		<u>(3,846,688)</u>	<u>362,009</u>
FINANCING			
Bank loans received		9,150,000	-
Capital element of finance lease rentals		(259,693)	(345,503)
Bank loans repaid		(6,801,877)	(1,328,272)
Net inflow from financing		<u>2,088,430</u>	<u>(1,673,775)</u>
DECREASE IN CASH		<u>(1,758,258)</u>	<u>(1,311,766)</u>

Further details are given in note 20.

Stonegate Farmers Limited and Subsidiary Companies

ACCOUNTING POLICIES

For the year ended 30 September 2005

BASIS OF ACCOUNTING

The Group accounts are prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important Group accounting policies, which have been applied consistently, is shown below. The Group accounts are prepared using the historical cost convention modified by the revaluation of certain fixed assets.

ACCOUNTING PERIODS

The Group prepares financial statements to the end of a week, thus the annual accounting periods are generally for 52 weeks and periodically for 53 weeks.

GROUP ACCOUNTS

Group accounts are presented which incorporate the accounts of the Company and its Subsidiaries. No separate profit and loss account is presented for the Company, as permitted by Section 230 of the Companies Act 1985.

Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal. The net assets of subsidiaries acquired are included on the basis of their fair value at the date of acquisition.

TURNOVER

Turnover represents the amounts receivable for Group external sales in respect of goods and services supplied to customers excluding Value Added Tax.

FIXED ASSETS

Freehold operating properties are stated at open market value. A qualified external valuer undertakes full professional valuations every 5 years; interim valuations are undertaken in the third year after full valuation and in intervening years only where it is likely that there has been a material change in value.

Broadly speaking, FRS 15 requires revaluations to be carried out on an open market value with existing use basis. The directors did not specify this when instructing the Valuer to provide the valuations for bank security purposes and, therefore, to this extent, there is a departure from FRS 15. The directors are of the view that this would not materially affect the view given by the financial statements and, as such, the cost of obtaining further valuations on the otherwise 'correct' basis would outweigh the benefit gained.

DEPRECIATION

Depreciation is provided on fixed assets when brought into use to write off the cost of each asset over its expected useful life on a straight line basis at the following rates:

Freehold buildings	2%
Leasehold property	Over remaining period of lease
Plant and equipment	2% to 33 ¹ / ₃ %
Motor vehicles	20% to 50%

Freehold land is not depreciated.

GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Goodwill arising on acquisitions in respect of periods up to 30 September 1999 was written off to reserves in accordance with the accounting standard then in force. As permitted by the current Standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off is included in determining the profit or loss on disposal.

Stonegate Farmers Limited and Subsidiary Companies

ACCOUNTING POLICIES

For the year ended 30 September 2005

INVESTMENT PROPERTIES

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years. Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

GOVERNMENT GRANTS

Grants relating to the purchase of tangible fixed assets are treated as follows:-

- a. In respect of assets where no depreciation is provided, as a deduction from cost.
- b. In respect of assets subject to annual depreciation, as a credit to a deferred credit account which is subsequently released to revenue by annual instalments over the identical period over which the assets are depreciated.

LEASING

Assets held under finance leases which give rights approximating to ownership are capitalised and the equivalent obligation recognised as a liability. Leasing payments are apportioned between finance charges and capital repayments. Depreciation is charged so as to write off the capitalised cost over the estimated useful lives of the assets.

Expenditure on operating leases is charged to the profit and loss account as incurred.

Income in respect of operating leases is credited to the profit and loss account when receivable.

STOCKS

Eggs, egg products and packaging stocks are valued at the lower of cost and net realisable value. Livestock is included at cost or a depreciated value having regard to its age at the balance sheet date.

DEFERRED TAXATION

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has been discounted to take account of future cash flows on a full reversal basis.

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 when 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 difference be deducted.

PENSIONS

The group operates two defined benefit schemes and a defined contribution scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP24.

Stonegate Farmers Limited and Subsidiary Companies

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2005

1. GROUP ACTIVITY

The Group operates in one principal area of activity.

The analysis of turnover by geographical area is as follows:-

	2005	2004
	£	£
United Kingdom	103,442,646	108,567,633
	<u>103,442,646</u>	<u>108,567,633</u>

2. NET OPERATING EXPENSES

	2005	2004
	£	£
Movement in stocks	232,806	353,499
Other operating income	(195,219)	(35,218)
Purchases	78,374,524	79,547,567
Staff costs (Note 3)	9,707,250	12,261,650
Depreciation	1,271,952	1,501,290
Amortisation of goodwill	192,077	192,078
Other operating charges	11,484,010	12,950,770
	<u>101,067,400</u>	<u>106,771,636</u>

3. DIRECTORS AND EMPLOYEES

	2005	2004
	£	£
Group staff costs including directors' emoluments were:		
Wages and salaries	8,618,934	11,115,630
Social security costs	822,471	919,871
Other pension costs	265,845	226,149
	<u>9,707,250</u>	<u>12,261,650</u>

The average number of persons employed by the Group in the year was as follows:

	Number	Number
Management and administration	73	82
Production, packing and marketing	395	548
	<u>468</u>	<u>630</u>

	£	£
Parent company directors:		
Emoluments (excluding pension contributions)		
As executives	575,421	363,017
Aggregate value of pension contributions	14,775	14,450
Emoluments (excluding pension contributions)		
Highest paid director	450,280	220,609
Pension cost attributable to the highest paid director	9,000	9,000

The remuneration in respect of M R J Kent was paid to Clifford Kent Limited.

Number of directors accruing final salaries pension benefit 2005:1 (2004: 1)

Number of directors in money purchase scheme 2005:1 (2004:1)

Stonegate Farmers Limited and Subsidiary Companies

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2005

4. TOTAL OPERATING PROFIT

	2005	2004
	£	£
This is stated after charging:		
Depreciation: own assets		
Owned assets	1,135,928	1,054,883
Leased assets	136,024	217,069
Profit/(loss) on disposal	45,922	-
Auditors' remuneration:		
Audit	57,300	56,500
Non-audit services	8,500	-
Operating lease rentals		
- land and buildings	662,292	37,500
- plant and equipment	200,254	594,740
and after crediting:		
Grant amortisation	18,797	19,160

5. NET INTEREST PAYABLE

	2005	2004
	£	£
Bank overdraft	400,109	390,984
Finance lease and hire purchase interest	80,431	74,527
Bank loans repayable by instalments partly after 5 years	458,304	460,353
Interest receivable	(21,375)	(19,064)
	917,469	906,800

6. TAXATION

	2005	2004
	£	£
a) Tax on profit on ordinary activities		
Current tax:		
UK Corporation Tax at 30% (2004: 30%)	-	-
Under provision in prior year	2,894	-
Total current tax	2,894	-
Deferred tax:		
Organisation and reversal of timing differences (note 16)	42,984	87,657
Tax on profit on ordinary activities	45,878	87,657

b) Factors affecting current tax charges:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are set out below:

	2005	2004
	£	£
Profit on ordinary activities before taxation	1,151,897	1,229,058
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 30% (2004:30%)	345,569	368,717
Expenses not deductible for tax purposes	106,268	36,081
Depreciation	472,059	508,010
Capital allowances	(760,482)	(250,535)
Profit on disposal of fixed assets	(125,916)	-
Chargeable disposals	-	68,439
Prior period adjustments	2,894	-
Unrelieved tax losses	333,913	3,117
Utilisation of tax losses	(371,411)	(733,829)
Current tax charge	2,894	-

Stonegate Farmers Limited and Subsidiary Companies

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2005

7. PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is:

	2005	2004
	£	£
Holding company's loss for the financial year	<u>(1,333,601)</u>	<u>(1,514,470)</u>

8. INTANGIBLE FIXED ASSETS

Group	Goodwill
	£
Cost	
At 1 October and 30 September 2005	<u>3,841,562</u>
Amortisation	
At 1 October 2004	576,234
Charge for the year	<u>192,077</u>
Balance at 30 September 2005	<u>768,311</u>
Net book value at	
30 September 2005	<u>3,073,251</u>
1 October 2004	<u>3,265,328</u>

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

9. TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings	Short Leasehold Land and Buildings	Plant and Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 October 2004	10,285,537	663,315	15,917,092	1,112,700	27,978,644
Additions	800,229	102,710	1,383,610	231,473	2,518,022
Disposals	(862,241)	-	(3,849,304)	(253,961)	(4,965,506)
Transfers	(64,134)	-	64,134	-	-
Revaluation	6,090,326	-	-	-	6,090,326
At 30 September 2005	<u>16,249,717</u>	<u>766,025</u>	<u>13,515,532</u>	<u>1,090,212</u>	<u>31,621,486</u>
Depreciation					
At 1 October 2004	1,943,031	89,572	9,438,180	465,514	11,936,297
Disposals	(188,744)	-	(2,943,084)	(177,317)	(3,309,145)
Charge for the year	344,695	75,156	768,123	204,387	1,392,361
Revaluation	(1,384,757)	-	-	-	(1,384,757)
At 30 September 2005	<u>714,225</u>	<u>164,728</u>	<u>7,263,219</u>	<u>492,584</u>	<u>8,634,756</u>
Net book value at 30 September 2005	<u>15,535,492</u>	<u>601,297</u>	<u>6,252,313</u>	<u>597,628</u>	<u>22,986,730</u>
Net book value at 1 October 2004	<u>8,342,506</u>	<u>573,743</u>	<u>6,478,912</u>	<u>647,186</u>	<u>16,042,347</u>
Finance Leases					
Net book value of assets held under finance leases included above:					
At 30 September 2005	<u>-</u>	<u>-</u>	<u>547,935</u>	<u>271,020</u>	<u>818,955</u>
At 1 October 2004	<u>-</u>	<u>-</u>	<u>665,259</u>	<u>62,274</u>	<u>727,533</u>
Depreciation charged in the year in respect of the above:					
Year ended					
30 September 2005	<u>-</u>	<u>-</u>	<u>63,844</u>	<u>72,180</u>	<u>136,024</u>
Year ended					
30 September 2004	<u>-</u>	<u>-</u>	<u>187,678</u>	<u>29,391</u>	<u>217,069</u>

Freehold properties were revalued by FPD Savills, Chartered Surveyors on an open market value basis for bank security purposes as at 23 June 2004. These valuations, adjusted for additions since that date and sale values and selling prices of properties sold or for sale post year end, have been incorporated into the accounts at 30 September 2005.

Stonegate Farmers Limited and Subsidiary Companies
NOTES ON FINANCIAL STATEMENTS
For the year ended 30 September 2005

9. TANGIBLE FIXED ASSETS (CONTD)

In respect of fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:-

	2005 £
Historical Cost	
At 1 October 2004	10,285,537
Additions	800,229
Disposals	(926,375)
	<hr/>
At 30 September 2005	10,159,391
	<hr/>
Depreciation:	
At 1 October 2004	1,943,031
Charge for year	344,695
Disposals	(188,744)
	<hr/>
At 30 September 2005	2,098,982
	<hr/>
Net historical cost value	
At 30 September 2005	8,060,409
	<hr/>
At 1 October 2004	8,342,506
	<hr/>

Investment Properties

	£
Valuation	
At 1 October 2004	766,554
Impairment write down	(116,167)
Revaluation	99,613
	<hr/>
At 30 September 2005	750,000
	<hr/>
At 30 September 2004	766,554
	<hr/>

The valuations of investment properties were made as at 30 September 2005 by the directors on an open market basis. No depreciation is provided in respect of these properties. If the properties were to be sold at the revalued amount no charge would arise to corporation tax.

On an historical cost basis these would have been included at an original cost of £1,103,347 (2004 £1,103,347), and aggregate depreciation of £336,793 (2004 £336,793).

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

9. TANGIBLE FIXED ASSETS (CONTD)

Holding Company	Freehold Land and Buildings £	Plant and Equipment £	Motor Vehicles £	Total £
Cost or valuation				
At 1 October 2004	4,824,191	12,698,129	1,498,535	19,020,855
Additions	369,160	927,476	212,744	1,509,380
Disposals	-	-	(223,408)	(223,408)
Transfers	(64,134)	64,134	-	-
Revaluation	2,847,418	-	-	2,847,478
At 30 September 2005	<u>7,976,695</u>	<u>13,689,739</u>	<u>1,487,871</u>	<u>23,154,305</u>
Depreciation				
At 1 October 2004	1,436,949	9,110,622	932,159	11,479,730
Disposals	-	-	(153,805)	(153,805)
Charge for the year	109,839	365,789	170,999	646,627
Revaluation	(1,433,613)	-	-	(1,433,613)
At 30 September 2004	<u>113,175</u>	<u>9,476,411</u>	<u>949,353</u>	<u>10,538,939</u>
Net book value at 30 September 2005	<u>7,863,520</u>	<u>4,213,328</u>	<u>538,518</u>	<u>12,615,366</u>
Net book value at 1 October 2004	<u>3,387,242</u>	<u>3,587,507</u>	<u>566,376</u>	<u>7,541,125</u>
Finance Leases				
Net book value of assets held under finance leases included above				
At 30 September 2005	<u>-</u>	<u>147,935</u>	<u>271,020</u>	<u>418,955</u>
At 1 October 2004	<u>-</u>	<u>118,341</u>	<u>62,274</u>	<u>180,615</u>
Depreciation charged in the period in respect of the above				
Year ended				
30 September 2005	<u>-</u>	<u>63,844</u>	<u>72,180</u>	<u>136,024</u>
Year ended				
1 October 2004	<u>-</u>	<u>67,818</u>	<u>29,391</u>	<u>97,209</u>

Freehold properties were revalued by FPD Savills, Chartered Surveyors on an open market value basis for bank security purposes as at 23 June 2004. These valuations, adjusted for additions since that date and sale values and selling prices of properties sold or for sale post year end, have been incorporated into the accounts at 30 September 2005.

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

9. TANGIBLE FIXED ASSETS (CONTD)

In respect of fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows;

	2005 £
Historical Cost	
At 1 October 2004	4,824,191
Additions	369,160
Transfers	(64,134)
At 30 September 2005	5,129,217
Depreciation:	
At 1 October 2004	1,436,949
Charge for the year	109,839
At 30 September 2005	1,546,788
Net historic cost book value	
At 30 September 2005	3,582,429
At 1 October 2004	3,387,242

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

10. UNLISTED INVESTMENTS

Group		Other £	Total
Cost			
At 1 October 2004 and 30 September 2005		<u>6,069</u>	<u>6,069</u>
Holding Company	Subsidiary undertakings	Other	Total
	£	£	£
Cost			
At 1 October 2004 and 30 September 2005	<u>5,856,719</u>	<u>6,609</u>	<u>5,682,788</u>
Provisions			
At 1 October 2004 and 30 September 2005	<u>5,032,746</u>	<u>-</u>	<u>5,032,746</u>
Net book value at 30 September 2005	<u>823,973</u>	<u>6,609</u>	<u>830,042</u>
Net book value at 1 October 2004	<u>823,973</u>	<u>6,609</u>	<u>830,042</u>

Subsidiaries

The principal trading subsidiaries are as follows:

	Country of incorporation	Class of share	Proportion held	Nature of business
Stonegate Food Ingredients Limited	England	Ordinary	100%	Manufacture of egg products
Stonegate Horizon Limited	England	Ordinary	100%	Egg production
New Dawn Group Limited	England	Ordinary	100%	Rental of poultry houses
Thames Valley Foods Limited	England	Ordinary	100%	Packing and marketing of eggs
South Western Egg Products Limited	England	Ordinary	100%	Manufacture of egg products
Manor Farm Products Limited	England	Ordinary	100%	Manufacture of egg products
Thames Valley Eggs (Production) Limited	England	Ordinary	100%	Egg production
Countryside Free Range Eggs Limited	England	Ordinary	100%	Packing and marketing of eggs
Meadow Farm Eggs Limited	England	Ordinary	100%	Packing and marketing of eggs
Thames Valley Eggs (Western) Limited	England	Ordinary	100%	Packing and marketing of eggs

There are a number of other subsidiary companies, which are all wholly owned, which did not trade during the year. The directors have taken advantage of section 231(5) of the Companies Act 1985 in not disclosing the above information of these subsidiaries. All subsidiaries are included in these consolidated accounts.

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

11. STOCKS

	Group		Holding Company	
	2005	2004	2005	2004
	£	£	£	£
Eggs, egg products and packaging	1,477,165	1,459,302	1,055,306	912,450
Livestock and feed	3,548,323	3,841,568	-	-
	<u>5,025,488</u>	<u>5,300,870</u>	<u>1,055,306</u>	<u>912,450</u>

12. DEBTORS

	Group		Holding Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts due within one year				
Trade debtors	11,328,497	10,166,880	8,066,647	7,572,681
Amounts due from subsidiary undertakings	-	-	335,757	2,828,337
Other debtors	6,117,180	1,068,453	5,524,204	800,132
Prepayments	405,530	616,007	225,495	525,424
	<u>17,851,207</u>	<u>11,851,340</u>	<u>14,152,103</u>	<u>11,726,574</u>

13. CREDITORS: Amounts falling due within one year

	Group		Holding Company	
	2005	2004	2005	2004
	£	£	£	£
Bank overdrafts (Note 15)	12,029,508	10,060,142	4,082,527	2,637,043
Bank loans (Note 15)	733,338	1,969,484	676,671	1,891,600
Trade creditors	9,087,563	10,723,426	6,818,504	7,760,159
Corporation tax	1,352	1,352	1,352	1,352
Other taxes and social security costs	236,265	324,159	126,687	198,893
Other creditors	1,000,229	429,650	422,381	209,797
Accruals and deferred income	1,049,298	940,883	334,901	608,496
Amounts due under finance leases and hire purchase (Note 15)	373,290	246,271	213,608	98,463
	<u>24,510,843</u>	<u>24,695,367</u>	<u>12,676,631</u>	<u>13,405,803</u>

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

14. CREDITORS: Amounts falling after more than one year

	Group		Holding Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans (Note 15)	8,944,995	5,360,726	8,194,163	3,559,113
Accruals and deferred income	18,653	37,451	18,652	37,451
Amounts due under finance leases and hire purchase (Note 15)	1,179,600	618,713	871,586	151,017
	<u>10,143,248</u>	<u>6,016,890</u>	<u>9,084,401</u>	<u>3,747,581</u>

15. DEBT MATURITY

Bank loans

	Group		Holding Company	
	2005	2004	2005	2004
	£	£	£	£
Repayable within one year	733,338	1,969,484	676,671	1,891,600
Repayable between 1 and 2 years	733,338	509,483	676,671	414,207
Repayable between 2 and 5 years	2,200,012	1,728,924	2,030,012	1,395,101
Repayable over 5 years	6,011,645	3,122,319	5,487,479	1,749,805
	<u>9,678,333</u>	<u>7,330,210</u>	<u>8,870,833</u>	<u>5,450,713</u>

HSBC Bank plc holds legal mortgages and debentures over freehold properties and certain other assets of the group and the company to secure overdrafts and loans. The bank loans are repayable by instalments and interest is charged at a variable rate of 1.15% above base.

Amounts due under finance leases and hire purchase contracts

	Group		Holding Company	
	2005	2004	2005	2004
	£	£	£	£
Repayable within one year	373,290	246,271	213,608	98,463
Repayable between 2 and 5 years	1,179,600	618,713	871,586	151,017
	<u>1,552,890</u>	<u>864,984</u>	<u>1,085,194</u>	<u>249,480</u>

Assets held under hire purchase agreements are secured by way of a charge over the assets acquired.

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

16. DEFERRED TAXATION

Group

	2005 £	2004 £
The movement in the deferred taxation provision during the period was:		
Provision brought forward	244,440	332,097
Profit and loss account movement during the period	(42,984)	(87,657)
Provision on revaluation	664,541	
Provision carried forward	<u>865,997</u>	<u>244,440</u>

The provision for deferred taxation consists of timing differences in respect of:

	2005		2004	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	874,926	-	959,197	-
Freehold Revaluation	664,541	-	-	-
Tax losses available	(428,553)	(628,888)	(428,284)	(666,570)
Discounting	<u>(244,917)</u>	<u>-</u>	<u>(286,473)</u>	<u>-</u>
	<u>865,997</u>	<u>(628,888)</u>	<u>244,440</u>	<u>(666,570)</u>

Holding Company

	2005 £	2004 £
The movement in the deferred taxation provision during the period was:		
Provision brought forward	55,391	152,277
Profit and Loss Account movement arising during the period	87,149	(96,886)
Provision carried forward	<u>142,540</u>	<u>55,391</u>

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

	2005		2004	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	731,903	-	559,639	-
Tax losses available	(428,553)	-	(428,284)	-
Discounting	<u>(160,810)</u>	<u>-</u>	<u>(75,964)</u>	<u>-</u>
	<u>142,540</u>	<u>-</u>	<u>55,391</u>	<u>-</u>

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

17. SHARE CAPITAL

2005 2004

Holding Company

£ £

Authorised: 5,000,000 ordinary shares of £1 each

5,000,000 5,000,000

Allotted, issued and fully paid: 2,681,527 (2003: 2,681,527) ordinary shares of £1 each

2,681,527 2,681,527

Great Lease Farm Limited, a subsidiary of the holding company, holds 2756 ordinary shares of £1 each in Stonegate Farmers Limited. These have been eliminated on consolidation resulting in the group share capital being stated at £2,678,771 on the group balance sheet.

18. RESERVES

	Merger reserve	Share Premium Amount	Revaluation reserve	Profit and Loss Account	Total
Group	£	£	£	£	£
At 1 October 2004	1,799,221	185,054	-	6,980,636	8,964,991
Revaluation In Year	-	-	7,574,696	-	7,574,696
Deferred tax	-	-	(664,541)	-	(664,541)
Profit for the year	-	-	-	1,197,775	1,197,775
At 30 September 2005	1,799,221	185,054	6,910,155	8,178,411	17,072,841

Cumulative goodwill written off to reserves in respect of acquisitions prior to 30 September 1999 at the balance sheet date was £2,247,440.

	Merger Reserve	Share Premium Amount	Revaluation Reserve	Profit and Loss Account	Total
Holding Company	£	£	£	£	£
At 1 October 2004	1,799,221	195,251	-	(874,121)	1,120,351
Revaluation in year	-	-	4,281,091	-	4,281,091
Loss for the period	-	-	-	(1,333,601)	(1,333,601)
At 30 September 2005	1,799,221	195,251	4,281,091	(2,207,722)	4,067,841

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	1,197,775	1,316,715
Revaluation In Year	6,910,155	
Net addition to shareholders' funds	8,107,930	1,316,715
Opening shareholders' funds	11,643,682	10,326,967
Closing shareholders' funds	19,751,612	11,643,682

20. NOTES TO THE CASH FLOW STATEMENT

	2005	2004
	£	£
Reconciliation of operating profit to net cash (outflow)inflow from operating activities		
Operating profit after reorganisation costs	2,375,246	1,795,997
Reorganisation Costs	(503,343)	-
Goodwill written off	192,077	192,078
Depreciation charges	1,271,952	1,501,290
Decrease in stocks	275,383	353,499
Increase in debtors	(1,638,949)	(2,988,618)
(Decrease)/Increase in creditors	(1,063,561)	1,732,471
Net cash (outflow)/inflow from operating activities	905,805	2,586,717
Reconciliation of net cash flows to movement in net debt		
Decrease in cash	(1,758,258)	(1,311,766)
Cash (outflow)/inflow from (decrease)/increase in debt and lease financing	(2,088,430)	1,673,775
Changes in net debt resulting from cash flow	(3,846,688)	362,009
New Finance Leases	(947,599)	-
Movement in net debt in the period	(4,794,287)	362,009
Net debt at 1 October 2003	(12,887,489)	(13,249,498)
Net debt at 30 September 2004	(17,681,776)	(12,887,489)

Stonegate Farmers Limited and Subsidiary Companies
NOTES ON FINANCIAL STATEMENTS
For the year ended 30 September 2005

20. NOTES TO THE CASH FLOW STATEMENT (Cont.)

Analysis of net debt

	At 1 October 2004 £	Cash flow £	Non cash changes £	At 30 September 2005 £
Net cash:				
Cash at bank and in hand	5,367,847	211,108	-	5,578,955
Bank overdrafts	(10,060,142)	(1,969,366)	-	(12,029,508)
		(1,758,258)	-	
Debt:				
Finance leases	(864,984)	259,693	(947,599)	(1,552,890)
Bank loans	(7,330,210)	(2,348,123)	-	(9,678,333)
Net debt	(12,887,489)	(3,846,688)	(947,599)	(17,681,776)

Analysed in the balance sheet as follows:

	£	£
Cash at bank and in hand	5,367,847	5,578,955
Bank overdrafts	(10,060,142)	(12,029,508)
Finance leases due:		
Within one year	(246,271)	(373,290)
After one year	(618,713)	(1,179,600)
Bank loans due:		
Within one year	(1,969,484)	(733,338)
After one year	(5,360,726)	(8,944,995)
	(12,887,489)	(17,681,776)

Major non cash changes

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at inception of the lease of £947,599.

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

21. FINANCIAL COMMITMENTS

Capital Commitments

There were no capital expenditure contracted at the year end.

Operating Lease Commitments

At the balance sheet date, the Group and Holding company had entered into operating leases of which the annual rental commitments are as follows:

	2005		2005	
	Land & Buildings		Plant & Equipment	
	Group	Holding Company	Group	Holding Company
For leases expiring:	£	£	£	£
Within one year	149,352	149,532	69,200	68,750
Between 2 and 5 years	218,952	218,952	1,100	-
After 5 years	-	-	601,428	-
	<u>368,034</u>	<u>368,034</u>	<u>671,728</u>	<u>68,750</u>

	2004		2004	
	Land & Buildings		Plant & Equipment	
	Group	Holding Company	Group	Holding Company
For leases expiring:	£	£	£	£
Within one year	-	-	282,987	177,803
Between 2 and 5 years	237,500	237,500	548,432	317,800
After 5 years	-	-	607,467	-
	<u>237,500</u>	<u>237,500</u>	<u>1,438,886</u>	<u>495,603</u>

22. PENSION SCHEMES

The group operates two defined benefit schemes known as the "Stonegate Farmers Limited (1972) Pension and Life Assurance Scheme" and the "Thames Valley Eggs Pension Fund". In addition, the group also operates a defined contribution scheme known as the "Thames Valley Eggs Limited Retirement Benefit Scheme" and also contributes to various personal pension arrangements on behalf of employees.

The pension costs charged in the financial statements represent the contributions payable by the company in accordance with Statement of Standard Accounting Practice number 24 (SSAP24). Additional information regarding the disclosures required in accordance with the transitional arrangements contained in Financial Reporting Standard Number 17 (FRS17) is also set out below.

SSAP24

Stonegate Farmers Limited (1972) Pension and Life Assurance Scheme

Stonegate Farmers Limited operates a defined benefit pension scheme in the UK for executive employees of the group providing benefits based on final pensionable salary. The assets of the scheme are invested with two insurance companies and an asset management company and are held separately from those of the Group. The scheme has been closed to new employees and the only members remaining are deferred members.

During the year contributions to the scheme of £16,200 (2004 – £16,200) have been charged to Profit & Loss Account.

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

22. PENSION SCHEMES (Cont.)

The last full actuarial valuation of the scheme was carried out on 1 October 2004 and this was updated on 30 September 2005 by a qualified independent actuary. At 30 September 2005, the scheme had a deficit of £1,618,000 and a funding level of 72%, arising from the Minimum Funding Level Requirement calculations. The position is set out in the table below.

	On Minimum Funding Basis	
	Value at 30 September 2005 £'000	Value at 1 October 2004 £'000
Managed funds – property	520	429
Insurance policies	519	462
AVC	-	8
Total market value of assets	1,039	899
Present values of scheme liabilities	(2,657)	(2,211)
Net pension deficit	(1,618)	(1,312)
Funding level	39%	40%

Thames Valley Eggs Limited Pension Fund

Thames Valley Foods Limited, and its subsidiaries, which were acquired on 28 September 2001 also operate a defined benefit scheme in the UK, providing benefits based on final pensionable salary. The assets of the scheme are invested with four insurance companies and an asset management company and are held separately from those of the group.

During the year contributions to the scheme of £87,959 (2004 – £76,993) have been charged to Profit & Loss Account. Employers contributions paid during the year were based upon 16.5% of pensionable pay, plus £7,500 per month. Employees contributed at the rate of 7% per annum. These rates were agreed with the scheme actuary following completion of the actuarial valuation at 1 November 1999.

The last full actuarial valuation of the fund was carried out at 1 November 2002 in October 2003 by a qualified independent actuary. The valuation was performed using the “attained age method”. The major assumptions used by the actuary were:

	At 1 November 2002
	%
Rate of increase in salaries	4
Rate of increase in pensions in payment	3.5
Investment return	6
Pensionable salary growth	4

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

22. PENSION SCHEMES (Cont.)

The assets in the scheme at 1 November 2002 were:

	Ongoing basis £'000	Minimum funding requirement basis £'000
Total market value of assets	4,706	4,706
Present value of scheme liabilities	(5,217)	(4,754)
Net pension deficit	(511)	(48)
Funding level	90%	99%

Following completion of the actuarial valuation at 1 November 2002 it has been agreed with the actuary that future employers contributions will be based upon 15.8% of pensionable pay, plus £5,584 per annum. Employees will continue to contribute at the rate of 7% per annum. These rates were implemented on 1 November 2003 and continue at these levels.

A further informal actuarial valuation was carried out at 30 September 2005 by a qualified independent actuary. At 30 September 2005, the scheme had a deficit of £1,459,000 and funding level of 78%, arising from the Minimum Funding Requirement calculations.

The major assumptions used by the actuary were:

At 30 September 2005

Rate of increase in salaries	4%
Rate of increase in pensions in payment	3%
Investment return	5%
Pensionable salary growth	3%

The assets of the scheme at 30 September 2005 were:

	Minimum Funding Basis £'000
Total market value of assets	5,057
Present value of scheme liabilities	(6,516)
Net Pension Deficit	(1,459)
Funding Level	78%

Thames Valley Eggs Limited Retirement Benefit Scheme

The Group also operates a defined contribution scheme in respect of which the assets are held separately from those of the Group in an independently administered fund.

During the year contributions to the scheme of £8,352 (2004 – £8,579) have been charged to Profit & Loss Account. The employer and members both contribute at 3.25% of pensionable pay.

Personal Pension Arrangements

Contributions were made to personal pension arrangements on behalf of employees amounting to £119,952 (2004 – £124,377).

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

BALANCE SHEET AND NOTES

PENSION COST NOTE – FRS17 – STONEGATE FARMERS LIMITED (1972) PENSION AND LIFE ASSURANCE SCHEME

The Company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 30 September 2004 and updated to 30 September 2005. All valuations were carried out by a qualified independent actuary.

The major assumptions used by the actuary were:

	At 30 September 2005	At 30 September 2004
Discount Rate	5.0%	5.6%
Rate of increase in deferred pensions	3.0%	3.0%
Inflation assumption	3.0%	3.0%
Rate of increase in pensions in payment	5.0%	5.0%

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

The assets in the Scheme were:

	Value At 30 September 2005	Value At 30 September 2004
Prudential with profits policies	520	429
St James Place Gilt Fund	519	462
AVC	0	9
Debtors	6	1
Cash At Bank	0	1
Creditors	(6)	(3)
Total market value of assets	1,039	899
Present value of scheme liabilities	(2,657)	(2,211)
Deficit in the scheme	(1,618)	(1,312)

The expected rate of return on the assets were:

	Long Term Rate Of Return Expected At 30 September 2005	Long Term Rate Of Return Expected At 30 September 2004
Prudential with profit	6.0%	6.0%
St James Place Gilt Fund	4.0%	4.5%
Cash	3.5%	3.5%

MOVEMENT IN SURPLUS DURING THE YEAR

	2005 £ 000's
Deficit in scheme at the beginning of the year	(1,312)
Movement In year: current service cost	-
Contributions	16
Past Service Cost	-
Other finance income / cost	(90)
Actuarial gain / loss	(232)
Deficits	(1,618)

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

ANALYSIS OF AMOUNT CHARGED TO OPERATING PROFIT

	2005 £000's
Current service cost	-
Past service cost	-
	<hr/>
Charge to Operating Profit	-
	<hr/>

ANALYSIS OF AMOUNT CREDITED TO OTHER FINANCIAL INCOME

	2005 £000's
Expected return on scheme assets	46
Interest on pension scheme liabilities	(136)
	<hr/>
Amount Credited To Other Financial Income	(90)
	<hr/>

ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	2005 £000's
Actual return less expected return on pension scheme assets	102
Experience gains and losses arising on the scheme liabilities	2
Changes in assumptions underlying the present value of the scheme liabilities	(336)
	<hr/>
Actuarial gain recognised in STRGL	(232)
	<hr/>

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2005 £000's
Difference between the expected and actual return on scheme assets	
Amount	102
% Scheme Assets	9.8%
Experience gains and loss on scheme liabilities	
Amount	2
% of present value of scheme liabilities	-
Change in assumptions underlying the present value of scheme liabilities	(336)
% of present value of the scheme liabilities	(12.6%)
Total amount recognised in STRGL	
Amount	(232)
% of present value of scheme liabilities	(8.7%)

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

BALANCE SHEET AND NOTES

PENSION COST NOTE – FRS17 THAMES VALLEY EGGS LIMITED PENSION FUND

The Company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 November 2002 and updated to 30 September 2004 and 30 September 2005. All valuations were carried out by a qualified independent actuary.

The major assumptions used by the actuary were:

	At 30 September 2005	At 30 September 2004
Discount Rate	5.0%	5.6%
Rate of increase in deferred pensions	3.0%	3.0%
Salary Escalation	4.0%	4.0%
Inflation assumption	3.0%	3.0%
Rate of increase in pensions in payment	3.0%	3.0%

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

The assets in the Scheme were:

	Value At 30 September 2005	Value At 30 September 2004
Managed Funds	4,975	4,457
Cash at Bank	58	59
Debtors less creditors	24	23
Total market value of assets	5,057	4,539
Present value of scheme liabilities	6,516	5,946
Deficit in the scheme	(1,459)	(1,407)

The expected rate of return on the assets were:

	Long Term Rate Of Return Expected At 30 September 2005	Long Term Rate Of Return Expected At 30 September 2004
Managed Funds	6.5%	6.5%
Cash	3.5%	3.5%

MOVEMENT IN SURPLUS DURING THE YEAR

	2005 £ 000's
Deficit in scheme at the beginning of the year	(1,407)
Movement In year: current service cost	13
Contributions	80
Past Service Cost	-
Other finance income / cost	(60)
Actuarial gain / loss	(85)
	(1,459)

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

ANALYSIS OF AMOUNT CHARGED TO OPERATING PROFIT

	2005 £000's
Current service cost	13
Past service cost	-
	<hr/>
Charge to Operating Profit	13
	<hr/>

ANALYSIS OF AMOUNT CREDITED TO OTHER FINANCIAL INCOME

	2005 £000's
Expected return on scheme assets	289
Interest on pension scheme liabilities	(349)
	<hr/>
Amount Credited To Other Financial Income	(60)
	<hr/>

ANALYSIS OF AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	2005 £000's
Actual return less expected return on pension scheme assets	430
Experience gains and losses arising on the scheme liabilities	64
Changes in assumptions underlying the present value of the scheme liabilities	(579)
	<hr/>
Actuarial gain recognised in STRGL	(85)
	<hr/>

HISTORY OF EXPERIENCE GAINS AND LOSSES

	2005 £000's
Difference between the expected and actual return on scheme assets	
Amount	430
% Scheme Assets	8.5%
Experience gains and loss on scheme liabilities	
Amount	64
% of present value of scheme liabilities	1.0%
Change in assumptions underlying the present value of scheme liabilities	(579)
% of present value of the scheme liabilities	(8.9%)
Total amount recognised in STRGL	
Amount	(85)
% of present value of scheme liabilities	(1.3%)

Stonegate Farmers Limited and Subsidiary Companies

NOTES ON FINANCIAL STATEMENTS

For the year ended 30 September 2005

23. CONTINGENT LIABILITIES

The holding company has entered into cross guarantees in favour of HSBC Bank plc in respect of amounts owed to the Bank by certain subsidiary companies. The companies who are parties to the cross guarantees are:

Stonegate Farmers Limited
 Stonegate Food Ingredients Limited
 Stonegate Horizon Limited
 New Dawn Group Limited
 Thames Valley Foods Limited
 Thames Valley Eggs (Production) Limited

Capital based grants have been received by the Company from the Ministry of Agriculture, Fisheries and Food and the European Agricultural Guidance and Guarantee Fund. The unamortised amount at 30 September 2005 was £18,767 (2004: £37,451) and is included in accruals and deferred income. There is a contingent liability to repay such grants in the event of breaches of the continuing conditions of the grants.

24. RELATED PARTY TRANSACTIONS

Group companies undertook the following transactions during the period with a companies of which a director, Mr M R J Kent, is a controlling shareholder and is therefore presumed to be a related party:

	2005		2004	
	Purchases and rent £	Sales to £	Purchases and rent £	Sales to £
Clifford Kent (Holdings) Limited	2,575,510	436,322	2,114,940	254,749
Horizon Kent Limited	151,407	18,942	-	-

Balances owing to and from the above companies by the group at the year end were:

	2005		2004	
	Owing to £	Owing from £	Owing to £	Owing from £
Clifford Kent (Holdings) Limited	7,929	187,904	216,472	30,117

25. POST BALANCE SHEET EVENTS

Since the year end Clifford Kent (Holdings) Limited have obtained a controlling interest in Stonegate Farmers Limited and are therefore the ultimate controlling party. MRJ Kent holds a controlling interest in Clifford Kent (Holdings) Limited.

After the year end the company has acquired a free range egg company for £4.3 million.