

**STONEGATE FARMERS LIMITED
AND SUBSIDIARY COMPANIES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

THURSDAY



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STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES

COMPANY INFORMATION

Directors

J D Sheppard
P J Corbett

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

GE Commercial Finance
Enterprise House
Bancroft Road
Reigate
RH2 7RT

**STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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**STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

The directors submit their forty third annual report and financial statements for the year ended 30 September 2006

Principal Activities

The principal activity of the group is the production, packing and marketing of eggs and egg products. The company operates from its own packing facility at Lacock utilising additional contract packing facilities when required.

Business Review and Future Developments

Principal risks and uncertainties

The group's sales mix is concentrated into a few major retailers and therefore is potentially at risk if one of the major customers de-listed the company as a supplier. In order to minimise the risk, trading relationships are constantly monitored to ensure excellent working relationships.

A further risk to the business is the ability to meet the demands of the retailer by having the correct supply and type of egg. The group is very aware of current trends to move to Free Range and Organic Eggs and continues to actively recruit supply from this area.

Given the recent outbreaks of Avian Influenza the group has reviewed its policies governing this area. Having reviewed its supply base and given its dispersion throughout the UK, the risk to the business from such an outbreak has been minimised as far as possible.

The group is at risk in the sourcing of its raw materials due to its primary costs being driven by world prices for wheat. It is hoped that by having strong relationship with the retailers these fluctuations will be passed on up through the supply chain.

The group ensures that all risks within the workplace are reviewed and relevant actions are taken where appropriate so as to provide a safe working environment for all our employees.

New products

The company continues to develop the retail market by the introduction of New Brands. To this end we continue to develop both customer specific and genetic brands to differentiate us in the market place.

Future developments

Stonegate Farmers Limited became a subsidiary of Clifford Kent Holdings Limited ("Clifford Kent") in November 2005 which itself, along with Deans Food Group Limited ("Deans"), became a subsidiary of Noble Foods Limited ("Noble") in July 2006.

On 13 September 2006 the Office of Fair Trading referred the completed merger between Deans and Clifford Kent to the Competition Commission for investigation under section 22 of the Enterprise Act 2002. As a result of this referral, the Competition Commission published a report on 20 April 2007 concluding that the merger may be expected to result in substantial lessening of competition within the egg market which in turn may be expected to result in adverse effects on producers and a reduction in production volumes with retailers and ultimate consumers being faced with higher prices.

The conclusion of the Competition Commission merger inquiry was that the divestiture of Clifford Kent and its subsidiaries is likely to be the most effective and proportionate remedy for dealing with the findings and accordingly, the Competition Commission ruled that the divestiture should be completed by 22 February 2008.

Therefore the Directors of Noble, the ultimate controlling party of Stonegate Farmers Limited, have sought to divest the activities of Clifford Kent and its subsidiaries through a disposal of the share capital of Clifford Kent in line with this timetable. At the time of signing this directors' report, Noble are currently in the final stages of disposing of the entire share capital of Clifford Kent.

The Directors of Stonegate Farmers Limited do not envisage that this transaction will materially impact the operations of Stonegate Farmers Limited and its subsidiaries.

**STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

Financial risk management

The group's principal financial instruments comprise bank balances, bank overdrafts, trade creditors and trade debtors

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest

Trade debtors are managed in respect of credit and cash flow by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due

Key performance indicators

Given the straightforward nature of the group's operations, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Results and Dividends

The group loss for the period after taxation, attributable to shareholders, was £1,468,308 (2005 profit of £1,169,775). No dividends have been paid or proposed for the period (2005 £nil)

The state of affairs of the group is shown on page 10

Directors

The following Directors have held office since 1 October 2005

J D Sheppard	(Appointed 6 August 2007)
P J Corbett	(Appointed 6 August 2007)
M R J Kent	(Resigned 7 November 2006)
R L Swaffield FCA	(Resigned 6 August 2007)
N I Rogers	(Resigned 27 June 2007)

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

Company Status

The Directors are of the opinion that the Holding Company is a close company within the provisions of the Income and Corporation Taxes Act 1988

**STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2006**

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.

Auditors and disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of the information.

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.

By Order of the Board



J D Sheppard
Director

19 March 2008

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

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEGATE FARMERS LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2006

We have audited the group and parent company financial statements (the "financial statements") of Stonegate Farmers Limited for the year ended 30 September 2006 set out on pages 8 to 36. These financial statements have been prepared under the accounting policies set out on pages 12 to 14.

This report is made solely to the company's members 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 (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis Of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Qualified Opinion Arising From Disagreement About Accounting Treatment

Included within group and company tangible assets are freehold operating properties valued at an amount of £15,866,000 (group) and £10,475,000 (company). 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.

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEGATE FARMERS LIMITED
FOR THE YEAR ENDED 30 SEPTEMBER 2006

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 September 2006 and of the group's loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



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

Date 19 March 2008

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 £	2005 As Restated £
Turnover	2	94,905,982	103,442,646
Net operating expenses	3	(94,915,734)	(100,958,400)
Operating (loss)/profit	5	(9,752)	2,484,246
Re-organisation costs		(516,581)	(503,343)
Profit on disposal of fixed assets		296,846	434,039
Impairment of fixed assets		(975,894)	(236,576)
(Loss) / profit on ordinary activities before interest and taxation		(1,205,381)	2,178,366
Net interest payable	6	(1,126,218)	(1,054,469)
(Loss) / profit on ordinary activities before taxation		(2,331,599)	1,123,897
Taxation	7	863,291	45,878
(Loss) / profit for the financial year		(1,468,308)	1,169,775

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 2006

	Note	2006 £	2005 As Restated £
(Loss) / profit for the financial year	20	(1,468,308)	1,169,775
Unrealised surplus on revaluation of properties		-	7,574,696
Deferred tax on revaluations		-	(664,541)
Actuarial gains on pension schemes		184,000	126,000
Total recognised gains and losses relating to the year		<u>(1,284,308)</u>	<u>8,205,930</u>
Prior year adjustment (as explained in note 1)		(2,621,000)	
Total gains and losses recognised since last annual report		<u>(3,905,308)</u>	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

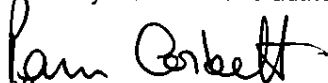
	2006 £	2005 As Restated £
Reported (loss) / profit on ordinary activities before taxation	(2,331,599)	1,123,897
Realisation of property revaluation gains of previous years	2,252,493	-
Difference between a historical depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	109,269	-
Historical cost profit on ordinary activities before taxation and historical cost profit for the year retained after taxation and dividends	<u>30,163</u>	<u>1,123,897</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
BALANCE SHEETS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

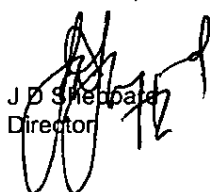
		GROUP		COMPANY	
	Note	2006	2005	2006	2005
		£	Restated £	£	Restated £
Fixed Assets					
Intangible Assets	9	1,095,407	3,073,251	-	-
Tangible Assets	10	28,121,600	23,736,730	13,498,790	12,615,366
Investments	11	6,069	6,069	8,856,542	830,042
		<u>29,223,076</u>	<u>26,816,050</u>	<u>22,355,332</u>	<u>13,445,408</u>
Current Assets					
Stocks	12	5,338,582	5,025,488	893,603	1,055,306
Debtors	13	18,288,800	17,851,207	13,420,266	14,152,103
Cash at bank and in hand		216,271	5,578,955	710	123
		<u>23,843,653</u>	<u>28,455,650</u>	<u>14,314,579</u>	<u>15,207,532</u>
Creditors					
Amounts falling due within one year	14	(34,049,807)	(24,510,843)	(29,315,850)	(12,676,631)
Net Current (liabilities) / assets		<u>(10,206,154)</u>	<u>3,944,807</u>	<u>(15,001,271)</u>	<u>2,530,901</u>
Total Assets less Current Liabilities		<u>19,016,922</u>	<u>30,760,857</u>	<u>7,354,061</u>	<u>15,976,309</u>
Creditors:					
Amounts falling due after more than one year	15	(781,665)	(10,143,248)	(643,305)	(9,084,401)
Provisions for liabilities and charges:					
Deferred taxation	17	-	(865,997)	-	(142,540)
Pension liability	25	(2,376,000)	(2,621,000)	(1,335,000)	(1,468,000)
		<u>15,859,257</u>	<u>17,130,612</u>	<u>5,375,756</u>	<u>5,281,368</u>
Capital and Reserves					
Called up share capital	18	2,681,527	2,678,771	2,681,527	2,681,527
Share premium account	19	195,251	185,054	195,251	195,251
Merger reserve	19	1,799,221	1,799,221	1,799,221	1,799,221
Revaluation reserve	19	4,548,393	6,910,155	4,195,469	4,281,091
Profit and loss account	19	6,634,865	5,557,411	(3,495,712)	(3,675,722)
	20	<u>15,859,257</u>	<u>17,130,612</u>	<u>5,375,756</u>	<u>5,281,368</u>

Approved by the Board and authorised for issue on

19th March 08



P J Corbett
Director


J D Sheppard
Director

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006	2005
		£	£
Net cash (outflow) / inflow from operating activities	21	(2,618,508)	908,805
Returns on investments and servicing of finance			
Interest paid	(962,158)	(858,413)	
Interest received	32,403	21,375	
Finance lease & hire purchase interest paid	(105,463)	(80,431)	
Net cash outflow for returns on investments servicing of finance		(1,035,218)	(917,469)
Taxation		(17,741)	-
Capital Expenditure			
Payments to acquire tangible assets	(6,508,389)	(1,570,424)	
Receipts from sales of tangible assets	5,332,129	2,090,400	
Net cash (outflow) / inflow for capital expenditure		(1,176,260)	519,976
Acquisitions & Disposals			
Purchase of subsidiary undertaking	407,377	(4,358,000)	
Net overdrafts acquired with subsidiary	(209,627)	-	
Net cash inflow / (outflow) for acquisitions & disposals	23	197,750	(4,358,000)
Net cash outflow before management of liquid resources & financing		(4,649,977)	(3,846,688)
Financing			
Disposal of own shares	12,953	-	
New secured loan	-	9,150,000	
Repayment of secured loan	(9,920,653)	(6,801,877)	
New parent company loans	15,520,863	-	
Capital element of finance lease rental payments	(378,945)	(259,693)	
Net cash inflow from financing	22	5,234,218	2,088,430
Increase / (decrease) in cash in the year		584,241	(1,758,258)

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES

1.1 Basis of Accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of fixed assets and investment properties

The financial statements are prepared in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, see "investment properties" below

1.2 Changes to Accounting Policies

In preparing the financial statements for the current year, the group has adopted FRS 17 "Retirement Benefits". The adoption of FRS 17 has resulted in a change in accounting policy for the pension liability of the groups two defined benefit schemes

The change in accounting policy has resulted in a prior year adjustment for both the group and the company. Provision for the pension liability arising from the pension schemes is now made in the accounts, previously the liability was disclosed by way of note

The effect of this change on the group is to reduce net assets at 30 September 2006 by £2,376,000 and at 30 September 2005 by £2,621,000. For the company, net assets have reduced by £1,335,000 at 30 September 2006 and £1,468,000 at 30 September 2005

A prior year adjustment has been made to recognise these amounts and restate the corresponding figures accordingly

1.3 Going Concern

As explained in the Director's report, Noble Foods Limited are in the process of disposing of the entire share capital of Clifford Kent Holdings Limited, the direct parent company of Stonegate Farmers Limited. The draft terms and conditions of this transaction require that the existing funding of the group will fall due for repayment upon successful completion of the transaction. The proposed purchaser has prepared projections for the trading of the business post the transaction and secured an offer of funding on this basis. In the unlikely event that this transaction should fail the directors have prepared projections for the continued trade of the existing group under current funding arrangements whilst an alternative purchaser is found. Whichever outcome ultimately happens the directors of the company and its subsidiaries consider that the company and its subsidiaries will have sufficient funding to continue to meet their liabilities as they fall due and consequently these financial statements have been prepared on a going concern basis

1.4 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

1.5 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

1.6 Turnover

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

1.7 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

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 8 Depreciation

Depreciation is provided on fixed assets when bought into use to write off the cost or valuation 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 $\frac{1}{3}$ %
Motor vehicles	20% to 50%
Freehold land is not depreciated	

1 9 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.

1 10 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.

1.11 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

1 12 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.

1 13 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.

1 14 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.

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 15 Pensions

The group operates a defined contribution scheme and two defined benefit schemes. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailment. They are included as part of staff costs. Past service costs are recognised immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006	2005
	£	£
2 Turnover		
The Group operates in one principal area of activity. The analysis of turnover by geographical area is as follows -		
United Kingdom	94,905,982	103,442,646
	<u> </u>	<u> </u>
	2006	2005
	£	£
3 Net Operating Expenses		
Movement in stocks	(313,094)	232,806
Other operating income	(461,246)	(195,219)
Purchases	69,252,440	78,374,524
Staff costs (Note 4)	11,575,310	9,598,250
Depreciation	1,830,588	1,271,952
Amortisation of goodwill	192,078	192,077
Other operating charges	12,839,658	11,484,010
	<u>94,915,734</u>	<u>100,958,400</u>
	<u> </u>	<u> </u>
	2006	2005
	£	£
4 Directors and Employees		
Group staff costs including directors' emoluments were		
Wages and salaries	10,549,963	8,618,934
Social security costs	743,949	822,471
Other pension costs	281,398	156,845
	<u>11,575,310</u>	<u>9,598,250</u>
	<u> </u>	<u> </u>
	Number	Number
The average number of persons employed by the Group in the year was		
Management and administration	77	73
Production, packing and marketing	380	395
	<u>457</u>	<u>468</u>
	<u> </u>	<u> </u>
Parent company directors		
Emoluments (excluding pension contributions)		
As executives	956,023	575,421
	<u> </u>	<u> </u>
Aggregate value of pension contributions	19,682	14,775
	<u> </u>	<u> </u>
Emoluments (excluding pension contributions)		
Highest paid director	799,029	450,280
	<u> </u>	<u> </u>
Pension cost attributable to the highest paid director	8,250	9,000
	<u> </u>	<u> </u>
The remuneration in respect of M R J Kent was paid to Clifford Kent Limited		
Number of directors accruing final salaries pension benefit 1 (2005 1)		
Number of directors in money purchase scheme 1 (2005 1)		

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
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	2006	2005
	£	£
5 Operating Profit		
This is stated after charging		
Depreciation		
Owned assets	1,636,170	1,135,928
Leased assets	194,418	136,024
Loss on disposal of fixed assets	-	45,922
Operating lease rentals - land and buildings	368,034	662,292
- plant and equipment	89,978	200,254
And after crediting		
Grant amortisation	(398)	(18,797)
Profit on disposal of fixed assets	(296,846)	-
	<hr/>	<hr/>
	2006	2005
	£	£
Auditor's Remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	29,500	27,700
Fees payable to the company's auditor and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	20,000	20,900
Other services pursuant to legislation	4,000	900
Tax services	8,000	7,750
Valuation and actuarial services	1,400	350
Services relating to corporate finance transactions	2,800	2,450
Fees in respect of the group pension schemes		
Audit	7,600	8,450
	<hr/>	<hr/>
	2006	2005
	£	£
6 Net Interest Payable		
Bank overdraft	292,564	400,109
Finance lease and hire purchase interest	105,463	80,431
Bank loans repayable by instalments partly after 5 years	669,594	458,304
Interest receivable	(32,403)	(21,375)
Other finance costs – pension scheme	91,000	137,000
	<hr/>	<hr/>
	1,126,218	1,054,469
	<hr/>	<hr/>
	2006	2005
	£	£
7 Taxation		
a) Tax on profit on ordinary activities		
<i>Current tax</i>		
UK Corporation Tax at 30% (2005 30%)	-	-
Under provision in prior year	2,229	2,894
	<hr/>	<hr/>
Total current tax	2,229	2,894
<i>Deferred tax</i>		
Organisation and reversal of timing differences (note 17)	861,062	42,984
	<hr/>	<hr/>
Tax on profit on ordinary activities	863,291	45,878
	<hr/>	<hr/>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

7 Taxation (continued)	2006	2005
	£	£
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		
(Loss) / profit on ordinary activities before taxation	(2,331,599)	1,123,897
	<u>2006</u>	<u>2005</u>
	<u>£</u>	<u>£</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 30% (2005 30%)	(699,480)	337,169
Expenses not deductible for tax purposes	102,983	114,668
Depreciation	861,444	472,059
Capital allowances	(840,635)	(760,482)
Profit on disposal of fixed assets	(69,074)	(125,916)
Chargeable disposals	631,251	-
Prior period adjustments	2,229	2,894
Unrelieved tax losses	13,511	333,913
Utilisation of tax losses	-	(371,411)
	<u>2,229</u>	<u>2,894</u>
Current tax charge	<u>2,229</u>	<u>2,894</u>

A deferred tax asset amounting to £1,139,055 has not been recognised due to uncertainty over future profits

8 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

	2006	2005
	£	£
Holding company's loss for the financial year	(598,815)	(1,333,601)

9 Intangible Fixed Assets

Group	Goodwill
	£
Cost	
At 1 October 2005	3,841,562
Additions	(1,785,767)
At 30 September 2006	<u>2,055,795</u>
Amortisation	
At 1 October 2005	768,311
Charge for the year	192,077
At 30 September 2006	<u>960,388</u>
Net Book Value	
At 30 September 2006	<u>1,095,407</u>
At 30 September 2005	<u>3,073,251</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

10 Tangible Assets

Group	Assets In Course Of Construction £	Freehold Land & Buildings £	Short Leasehold Land & Buildings £	Plant & Equipment £	Motor Vehicles £	Total £
Cost Or Valuation						
At 1 October 2005	-	16,249,717	766,025	13,515,532	1,090,212	31,621,486
Acquired With Subsidiary	-	3,445,779	-	5,146,696	203,370	8,795,845
Additions	566,080	3,252,814	-	2,676,240	340,255	6,835,389
Disposals	-	(4,009,930)	-	(467,743)	(291,345)	(4,769,018)
At 30 September 2006	566,080	18,938,380	766,025	20,870,725	1,342,492	42,483,702
Depreciation						
At 1 October 2005	-	714,225	164,728	7,263,219	492,584	8,634,756
Acquired with subsidiary	-	45,386	-	3,233,183	126,030	3,404,599
Disposals	-	(10,800)	-	(20,833)	(252,102)	(283,735)
Charge for the year	-	350,216	75,156	1,180,702	224,514	1,830,588
Impairment	-	-	-	975,894	-	975,894
At 30 September 2006	-	1,099,027	239,884	12,632,165	591,026	14,562,102
Net Book Value						
At 30 September 2006	566,080	17,839,353	526,141	8,238,560	751,466	27,921,600
Net Book Value						
At 30 September 2005	-	15,535,492	601,297	6,252,313	597,628	22,986,730
Finance Leases						
Net book value of assets held under finance leases included above						
At 30 September 2006	-	-	-	236,682	124,548	361,230
At 30 September 2005	-	-	-	547,935	271,020	818,955
Depreciation charged in respect of the above						
Year ended 30 September 2006	-	-	-	135,636	58,782	194,418
Year ended 30 September 2005	-	-	-	187,678	29,391	217,069

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 and selling prices of properties sold or for sale since that date, were incorporated into the accounts as at 30 September 2005.

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

10 Tangible Fixed Assets (continued)

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

Historical Cost	£
At 1 October 2005	10,159,391
Acquired with subsidiary	3,445,779
Additions	3,251,083
Disposals	(1,423,000)
At 30 September 2006	<u>15,433,253</u>
 Depreciation	 £
At 1 October 2005	2,098,982
Acquired with subsidiary	45,386
Charge for year	239,219
Disposals	(241,291)
At 30 September 2006	<u>2,142,296</u>
 Net Historical Cost Value	 £
At 30 September 2006	<u>13,290,957</u>
At 1 October 2005	<u>8,060,409</u>
 Investment Properties	 £
Valuation	
At 1 October 2005	750,000
Disposals	(550,000)
At 30 September 2006	<u>200,000</u>
At 30 September 2005	<u>750,000</u>

The valuations of investment properties were made as at 30 September 2006 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 £344,990 (2005 £1,103,347) and aggregate depreciation of £144,990 (2005 £336,793).

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

10 Tangible Fixed Assets (continued)

Company	Assets In Course Of Construction £	Freehold Land & Buildings £	Plant & Equipment £	Motor Vehicles £	Total £
Cost Or Valuation					
At 1 October 2005	-	7,976,695	13,689,739	1,487,871	23,154,305
Additions	566,080	1,879,918	459,939	132,910	3,038,847
Disposals	-	-	(441,342)	(144,426)	(585,768)
At 30 September 2006	<u>566,080</u>	<u>9,856,613</u>	<u>13,708,336</u>	<u>1,476,355</u>	<u>25,607,384</u>
Depreciation					
At 1 October 2005	-	113,175	9,476,411	949,353	10,538,939
Disposals	-	-	(20,833)	(131,814)	(152,647)
Charge for the year	-	187,667	392,376	166,365	746,408
Impairment	-	-	975,894	-	975,894
At 30 September 2006	<u>-</u>	<u>300,842</u>	<u>10,823,848</u>	<u>983,904</u>	<u>12,108,594</u>
Net Book Value					
At 30 September 2006	<u>566,080</u>	<u>9,555,771</u>	<u>2,884,488</u>	<u>492,451</u>	<u>13,498,790</u>
At 30 September 2005	<u>-</u>	<u>7,863,520</u>	<u>4,213,328</u>	<u>538,518</u>	<u>12,615,366</u>
Finance Leases					
Net book value of assets held under finance leases included above					
At 30 September 2006	<u>-</u>	<u>-</u>	<u>118,341</u>	<u>62,274</u>	<u>180,615</u>
At 1 October 2005	<u>-</u>	<u>-</u>	<u>147,341</u>	<u>271,020</u>	<u>418,361</u>
Depreciation charged in the period in respect of the above					
Year ended 30 September 2006	<u>-</u>	<u>-</u>	<u>67,818</u>	<u>29,391</u>	<u>97,209</u>
Year ended 30 September 2005	<u>-</u>	<u>-</u>	<u>63,844</u>	<u>72,180</u>	<u>136,024</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 and selling prices of properties sold or for sale since that date, were incorporated into the accounts as at 30 September 2005.

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

10 Tangible Fixed Assets (Continued)

Historical Cost	£
At 1 October 2005	5,129,217
Additions	1,879,918
	<hr/>
At 30 September 2006	7,009,135
	<hr/>
Depreciation	£
At 1 October 2005	1,546,788
Charge for year	102,043
	<hr/>
At 30 September 2006	1,648,831
	<hr/>
Net Historical Cost Value	£
At 30 September 2006	5,360,304
	<hr/> <hr/>
At 30 September 2005	3,582,429
	<hr/> <hr/>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

11 Unlisted Investments

Group		Other £	Total £
Cost			
At 1 October 2005 and 30 September 2006		6,069	6,069
		<u> </u>	<u> </u>
Company	Subsidiary Undertakings £	Other £	Total £
Cost			
At 1 October 2005	5,856,719	6,069	5,862,788
Additions	4,583,250	-	4,583,250
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	10,439,969	6,069	10,446,038
	<u> </u>	<u> </u>	<u> </u>
Provisions			
At 1 October 2005	5,032,746	-	5,032,746
Release of provision	(3,443,250)	-	(3,443,250)
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	1,589,496	-	1,589,496
	<u> </u>	<u> </u>	<u> </u>
Net Book Value			
At 30 September 2006	8,850,473	6,069	8,856,542
	<u> </u>	<u> </u>	<u> </u>
At 1 October 2005	823,973	6,069	830,042
	<u> </u>	<u> </u>	<u> </u>

Subsidiaries

The principal trading subsidiaries are as follows

	Country Of Incorporation	Class Of Share	Proportion Held	Nature Of Business
Lincolnshire Chickens Limited	England	Ordinary	100%	Egg Production
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 TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

12 Stocks

	GROUP		COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Eggs, egg products and packaging	1,136,663	1,477,165	893,603	1,055,306
Livestock and feed	4,201,919	3,548,323	-	-
	<u>5,338,582</u>	<u>5,025,488</u>	<u>893,603</u>	<u>1,055,306</u>

13 Debtors

	GROUP		COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Amounts due within one year				
Trade Debtors	15,141,434	11,328,497	10,900,049	8,066,647
Amounts due from subsidiary undertakings	-	-	-	335,757
Other Debtors	2,483,794	6,117,180	2,052,865	5,524,204
Prepayments	663,572	405,530	467,352	225,495
	<u>18,288,800</u>	<u>17,851,207</u>	<u>13,420,266</u>	<u>14,152,103</u>

14 Creditors Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Bank overdrafts (Note 16)	6,044,238	12,029,508	4,423,827	4,082,527
Bank loans (Note 16)	-	733,338	-	676,671
Amounts due to associated companies	15,520,863	-	6,454,622	-
Amounts due to subsidiary undertakings	-	-	10,451,264	-
Trade creditors	10,420,434	9,087,563	6,910,864	6,818,504
Corporation tax	22,248	1,352	1,352	1,352
Other taxes and social security costs	293,904	236,265	167,351	126,687
Other creditors	518,609	1,000,229	239,498	422,381
Accruals and deferred income	829,676	1,049,298	438,792	334,901
Amounts due under finance lease and hire purchase (Note 16)	399,835	373,290	228,280	213,608
	<u>34,049,807</u>	<u>24,510,843</u>	<u>29,315,850</u>	<u>12,676,631</u>

15 Creditors: Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Bank loans (Note 16)	-	8,944,995	-	8,194,163
Other Loans	1,902	-	-	-
Accruals and deferred income	-	18,653	-	18,652
Amounts due under finance lease and hire purchase (Note 16)	779,763	1,179,600	643,305	871,586
	<u>781,665</u>	<u>10,143,248</u>	<u>643,305</u>	<u>9,084,401</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
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FOR THE YEAR ENDED 30 SEPTEMBER 2006

16 Debt Maturity

Bank loans

	GROUP		COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Repayable within one year	-	733,338	-	676,671
Repayable between 1 and 2 years	-	733,338	-	676,671
Repayable between 2 and 5 years	-	2,200,012	-	2,030,012
Repayable over 5 years	-	6,011,645	-	5,487,480
	<u>-</u>	<u>9,678,333</u>	<u>-</u>	<u>8,870,834</u>

Amounts due under finance leases and hire purchase contracts

	GROUP		COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Repayable within one year	399,835	373,290	228,280	213,608
Repayable between 2 and 5 years	779,763	1,179,600	643,305	871,586
	<u>1,179,598</u>	<u>1,552,890</u>	<u>871,585</u>	<u>1,085,194</u>

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

Group overdraft facilities are secured by mortgage debentures incorporating a fixed and floating charge

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
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FOR THE YEAR ENDED 30 SEPTEMBER 2006

17 Deferred Taxation

	2006	2005
Group	£	£
The movement in the deferred taxation provision during the period was		
Provision brought forward	865,997	244,440
Profit and loss account movement during the period	(861,062)	(42,984)
Provision on revaluation	-	664,541
Acquired with subsidiary	(4,935)	-
	<u>-</u>	<u>865,997</u>

There is an unprovided deferred tax asset at 30 September 2006 made up as follows

	Provided	2006	Provided	2005
	£	Unprovided	£	Unprovided
		£		£
Excess of taxation allowances over depreciation on fixed assets	-	253,517	874,926	-
Freehold revaluation	-	-	664,541	-
Other short-term timing differences	-	(18,703)	-	-
Tax losses available	-	(803,445)	(428,553)	(628,888)
Discounting	-	-	(244,917)	-
Defined benefit pension liability	-	(712,800)	-	(786,300)
	<u>-</u>	<u>(1,281,431)</u>	<u>865,997</u>	<u>(1,415,188)</u>

The deferred tax asset is not recognised due to the uncertainty of sufficient future taxable profits for it to reverse

	2006	2005
Company	£	£
The movement in the deferred taxation provision during the period was		
Provision brought forward	142,540	55,391
Profit and loss account movement during the period	(142,540)	87,149
Provision carried forward	<u>-</u>	<u>142,540</u>

There is an unprovided deferred tax asset at 30 September 2006 made up as follows

	Provided	2006	Provided	2005
	£	Unprovided	£	Unprovided
		£		£
Excess of taxation allowances over depreciation on fixed assets	-	606,142	731,903	-
Other short-term timing differences	-	(18,703)	-	-
Tax losses available	-	(394,284)	(428,553)	-
Discounting	-	-	(160,810)	-
Defined benefit pension liability	-	(400,500)	-	-
	<u>-</u>	<u>(207,345)</u>	<u>142,540</u>	<u>-</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

18 Share Capital

	Company	
	2006	2005
	£	£
Authorised 5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
Alotted, issued and fully paid 2,681,527 (2005 2,681,527) ordinary shares of £1 each	<u>2,681,527</u>	<u>2,681,527</u>

Great Leaze Farm Limited, a subsidiary of the holding company, sold its holding of 2756 ordinary shares of £1 each in Stonegate Farmers Limited. Previously these have been eliminated on consolidation resulting in the group share capital being stated at £2,678,771 for the comparative period on the group balance sheet.

19 Reserves

Group	Merger Reserve £	Share Premium Amount £	Revaluation Reserve £	Profit and Loss Account £	Total £
At 1 October 2005					
As previously reported	1,799,221	185,054	6,910,155	8,178,411	17,072,841
Prior year adjustment (note 1)	-	-	-	(2,621,000)	(2,621,000)
As restated	<u>1,799,221</u>	<u>185,054</u>	<u>6,910,155</u>	<u>5,557,411</u>	<u>14,451,841</u>
Loss for the year	-	-	-	(1,468,308)	(1,468,308)
Sale of investment on own shares*	-	10,197	-	-	10,197
Actuarial gains on pension schemes	-	-	-	184,000	184,000
Realised revaluation surplus on sale of property	-	-	(2,252,493)	2,252,493	-
Transfers in respect of depreciation on revalued buildings	-	-	(109,269)	109,269	-
At 30 September 2006	<u>1,799,221</u>	<u>195,251</u>	<u>4,548,393</u>	<u>6,634,865</u>	<u>13,177,730</u>

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

* Great Leaze Farm Limited, a subsidiary of the holding company, sold its investment in Stonegate Farmers Limited. Therefore a previous balance of £10,197 which was eliminated on consolidation has been recognised this year.

Company	Merger Reserve £	Share Premium Account £	Revaluation Reserve £	Profit and Loss Account £	Total £
At 1 October 2005					
As previously reported	1,799,221	195,251	4,281,091	(2,207,722)	4,067,841
Prior year adjustment (note 1)	-	-	-	(1,468,000)	(1,468,000)
	<u>1,799,221</u>	<u>195,251</u>	<u>4,281,091</u>	<u>(3,675,722)</u>	<u>2,599,841</u>
Loss for the year	-	-	-	(598,815)	(598,815)
Actuarial gains on pension scheme	-	-	-	158,000	158,000
Transfers in respect of depreciation on revalued buildings	-	-	(85,622)	85,622	-
At 30 September 2006	<u>1,799,221</u>	<u>195,251</u>	<u>4,195,469</u>	<u>(4,030,915)</u>	<u>2,159,026</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
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FOR THE YEAR ENDED 30 SEPTEMBER 2006

20 Reconciliation Of Shareholders' Funds

	2006	2005
	£	Restated
		£
Total recognised gains and losses	(1,284,308)	8,205,930
Sale of own shares	12,953	-
	<hr/>	<hr/>
Total movements during the year	(1,271,355)	8,205,930
Shareholders' funds at 1 October	17,130,612	8,924,682
(originally £19,751,612 before deducting prior year adjustment of £2,621,000)		
	<hr/>	<hr/>
Shareholders' funds at 30 September	15,859,257	17,130,612
	<hr/>	<hr/>

21 Reconciliation Of Operating Profit To Net Cash Inflow From Operating Activities

	2006	2005
	£	£
Operating profit	(510,102)	2,484,246
FRS 17 Pension Costs	(152,000)	-
Reorganisation costs	(16,232)	(503,343)
Goodwill written off	192,078	192,077
Depreciation charges	1,830,588	1,271,952
Decrease / (Increase) in stocks	318,939	275,383
(Decrease) / Increase in debtors	(4,425,061)	(1,638,949)
(Decrease) / Increase in creditors	143,282	(1,063,561)
	<hr/>	<hr/>
Net cash inflow from operating activities	(2,618,508)	908,805
	<hr/>	<hr/>

22 Analysis Of Net Debt

	At			Non Cash	At 30
	1 October	Cash Flow	Acquisition	Changes	September
	2005	£	£	£	2006
	£				£
Net Cash					
Cash at bank and in hand	5,578,955	(5,457,540)	94,856	-	216,271
Bank overdrafts	(12,029,508)	6,041,781	(56,511)	-	(6,044,238)
		<hr/>	<hr/>		
		584,241	38,345		
		<hr/>	<hr/>		
Debt					
Finance leases	(1,552,890)	378,945	(5,653)	-	(1,179,598)
Bank Loans	(9,678,333)	9,920,653	(242,320)	-	-
Associated company loans	-	(15,520,863)	-	-	(15,520,863)
		<hr/>	<hr/>		
		(5,221,265)	(247,973)		
		<hr/>	<hr/>		
Net Debt	(17,681,776)	(4,637,024)	(209,628)	-	(22,528,428)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

22 Analysis Of Net Debt (continued)

	2006	2005
	£	£
Analysed in the balance sheet as follows		
Cash at bank and in hand	216,271	5,578,955
Bank overdrafts	(6,044,238)	(12,029,508)
Finance Leases Due		
Within one year	(399,835)	(373,290)
After one year	(779,763)	(1,179,600)
Bank Loans Due		
Within one year	-	(733,338)
After one year	-	(8,944,995)
Group loans within one year	(15,520,863)	-
	<u>(22,528,428)</u>	<u>(17,681,776)</u>
 Reconciliation Of Net Cash Flows To Movement In Net Debt		
	2006	2005
	£	£
Increase / (decrease) in cash	584,241	(1,758,258)
Cash outflow from decrease in debt and lease financing	(5,221,265)	(2,088,430)
Changes in net debt resulting from cash flow	<u>(4,637,024)</u>	<u>(3,846,688)</u>
Net debt acquired with subsidiary	(209,628)	-
New Finance Leases	-	(947,599)
Movement in net debt in the period	<u>(4,846,652)</u>	<u>(4,794,287)</u>
Net debt at 1 October 2005	(17,681,776)	(12,887,489)
Net debt at 30 September 2006	<u>(22,528,428)</u>	<u>(17,681,776)</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

23 Purchase Of Subsidiary Undertaking

	£
Net Assets Acquired	
Tangible fixed assets	5,718,246
Stocks	632,033
Debtors	370,532
Deferred taxation	4,935
Cash at bank and in hand	94,856
Bank overdrafts	(56,511)
Bank loans	(242,320)
Finance leases	(5,653)
Creditors	(529,236)
Corporation tax	(40,866)
	<hr/> 5,946,016
Goodwill – negative	(1,785,766)
	<hr/> 4,160,250
Satisfied By	
Cash	4,160,250
Deposit paid last year	(4,358,000)
	<hr/> (197,750) <hr/>

The subsidiary undertaking acquired during the year contributed £1,338,717 to the group's net operating cash flows, paid £2,538 in respect of net returns on investments and servicing of finance, paid £17,741 in respect of taxation and utilised £1,048,194 for capital expenditure

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

24 Financial Commitments

Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £1,181,523 (2005 £nil), in respect of the new packing station at Lacock

Operating Lease Commitments

At the balance sheet date, the Group and Company had entered into operating leases or which the annual rental commitments are as follows

	2006		2005	
	Land and Buildings Group £	Company £	Plant and Equipment Group £	Company £
For Leases Expiring				
Within one year	-	-	355,606	177,803
Between 2 and 5 years	475,000	237,500	636,700	317,800
After 5 years	519,703	-	-	-
	<u>994,703</u>	<u>237,500</u>	<u>992,306</u>	<u>495,603</u>
	2005		2004	
	Land and Buildings Group £	Company £	Plant and Equipment Group £	Company £
For Leases Expiring				
Within one year	149,352	149,352	69,200	68,750
Between 2 and 5 years	218,952	218,952	1,100	-
After 5 years	-	-	601,428	-
	<u>368,304</u>	<u>368,304</u>	<u>671,728</u>	<u>68,750</u>

25 Contingent liabilities

The company and its subsidiaries are members of the larger group headed by Noble Foods Limited. Group companies have given cross guarantees in favour of GE Commercial Finance Limited. At 30 September 2006 the total indebtedness of Noble Foods Limited group companies was £71,364,620.

26 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 operates a defined contribution scheme known as the "Thames Valley Eggs Limited Retirement Benefit Scheme" and also contributes to various personal pension plan arrangements on behalf of employees.

Thames Valley Eggs Limited Retirement Benefit Scheme

The Group 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 £3,793 (2005 - £8,352) have been charged to Profit and 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 £115,354 (2005 - £119,952).

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

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 2005 and updated to 30 September 2006. All valuations were carried out by a qualified independent actuary.

The Major Assumptions Used By The Actuary Were

	2006	2005	2004
	%	%	%
Discount Rate	5.25	5.0	5.6
Rate of increase in deferred pensions	2.9	3.0	3.0
Inflation assumption	2.9	3.0	3.0
Rate of increase in pensions in payment	5.0	5.0	5.0
	<u> </u>	<u> </u>	<u> </u>

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

	2006	2005	2004
	£	£	£
Prudential with profits policies	-	520,000	429,000
St James Place Gilt Fund	1,214,000	519,000	462,000
AVC	-	-	9,000
Debtors	-	6,000	1,000
Cash At Bank	9,000	-	1,000
Creditors	-	(6,000)	(3,000)
	<u> </u>	<u> </u>	<u> </u>
Total market value of assets	1,223,000	1,039,000	899,000
Present value of scheme liabilities	(2,558,000)	(2,507,000)	(2,211,000)
	<u> </u>	<u> </u>	<u> </u>
Deficit in the scheme	(1,335,000)	(1,468,000)	(1,312,000)
	<u> </u>	<u> </u>	<u> </u>

The Long Term Expected Rate Of Return On The Assets Are As Follows:

	2006	2005	2004
	%	%	%
Prudential with profit	-	6.0	6.0
St James Place Gilt Fund	4.0	4.0	3.5
Cash	3.5	3.5	4.5

Movement In Deficit During The Year

	2006	2005
	£	£
Deficit in scheme at 1 October 2005	(1,468,000)	(1,312,000)
Movement in year – current service cost	-	-
Contributions	56,000	16,000
Past Service Cost	-	-
Other finance costs	(81,000)	(86,000)
Actuarial gain / (loss)	158,000	(86,000)
	<u> </u>	<u> </u>
Deficit in scheme at 30 September 2006	(1,335,000)	(1,468,000)
	<u> </u>	<u> </u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

Analysis Of Amount Charged To Operating Profit

	2006	2005
	£	£
Current Service Cost	-	-
Past Service Cost	-	-
	<hr/>	<hr/>
Charge to operating profit	-	-
	<hr/>	<hr/>

Analysis Of Amount Credited To Other Financial Income

	2006	2005
	£	£
Expected return on scheme assets	52,000	46,000
Interest on pension scheme liabilities	(133,000)	(132,000)
	<hr/>	<hr/>
Amount Credited to Other Financial Income	(81,000)	(86,000)
	<hr/>	<hr/>

**Analysis Of Amount Recognised In Statement Of
Total Recognised Gains And Losses (STRGL)**

	2006	2005
	£	£
Actual return less expected return on pension scheme assets	144,000	102,000
Experience gains and losses arising on the scheme liabilities	14,000	(2,000)
Changes in assumptions underlying the present value of the scheme liabilities	-	(186,000)
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	158,000	(86,000)
	<hr/>	<hr/>

History Of Experience Gains And Losses

	2006	2005
	£	£
Difference between the expected and actual return on scheme assets		
Amount	144,000	102,000
Percentage of scheme assets	11.8%	9.8%
Experience gains and loss on scheme liabilities		
Amount	14,000	(2,000)
Percentage of present value of scheme liabilities	0.5%	(0.1%)
Change in assumptions underlying the present value of scheme liabilities	-	(186,000)
Percentage of present value of the scheme liabilities	-	(7.4%)
Total amount recognised in STRGL		
Amount	158,000	(86,000)
Percentage of present value of scheme liabilities	6.2%	(3.4%)

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

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 30 September 2005 and updated to 30 September 2006. All valuations were carried out by a qualified independent actuary.

The Major Assumptions Used By The Actuary Were

	2006	2005	2004
	%	%	%
Discount Rate	5.25	5.0	5.6
Rate of increase in deferred pensions	2.9	3.0	3.0
Salary Escalation	-	4.0	4.0
Inflation assumption	2.9	3.0	3.0
Rate of increase in pensions in payment	3.0	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:

	2006	2005	2004
	£	£	£
Managed funds	5,280,000	4,975,000	4,457,000
Cash at bank	79,000	58,000	59,000
Debtors less creditors	10,000	24,000	23,000
Total market value of assets	5,369,000	5,057,000	4,539,000
Present value of scheme liabilities	(6,410,000)	(6,210,000)	(5,946,000)
Deficit in the scheme	(1,041,000)	(1,153,000)	(1,407,000)

The Interim Expected Rate Of Return On The Assets Are As Follows

	2006	2005	2004
	%	%	%
Managed funds	6.5	6.5	6.5
Cash	3.5	3.5	4.5

Movement In Deficit During The Year

	2006	2005
	£	£
Deficit in scheme at 1 October 2005	(1,153,000)	(1,407,000)
Movement in year – current service cost	-	13,000
Contributions	96,000	80,000
Past Service Cost	-	-
Other finance costs	(10,000)	(51,000)
Actuarial gain	26,000	212,000
Deficit in scheme at 30 September 2006	(1,041,000)	(1,153,000)

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

Analysis Of Amount Charged To Operating Profit

	2006 £	2005 £
Current Service Cost	-	13,000
Past Service Cost	-	-
	<hr/>	<hr/>
Charge to operating profit	-	13,000
	<hr/>	<hr/>

Analysis Of Amount Credited To Other Financial Income

	2006 £	2005 £
Expected return on scheme assets	321,000	289,000
Interest on pension scheme liabilities	(331,000)	(340,000)
	<hr/>	<hr/>
Amount Credited to Other Financial Income	(10,000)	(51,000)
	<hr/>	<hr/>

**Analysis Of Amount Recognised In Statement Of
Total Recognised Gains And Losses (STRGL)**

	2006 £	2005 £
Actual return less expected return on pension scheme assets	152,000	430,000
Experience gains and losses arising on the scheme liabilities	(126,000)	85,000
Changes in assumptions underlying the present value of the scheme liabilities	-	(303,000)
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	26,000	212,000
	<hr/>	<hr/>

History Of Experience Gains And Losses

	2006 £	2005 £
Difference between the expected and actual return on scheme assets		
Amount	152,000	430,000
Percentage of scheme assets	2.8%	8.5%
Experience gains and loss on scheme liabilities		
Amount	(126,000)	85,000
Percentage of present value of scheme liabilities	(2.0%)	1.4%
Change in assumptions underlying the present value of scheme liabilities	-	(303,000)
Percentage of present value of the scheme liabilities	0%	(4.9%)
Total amount recognised in STRGL		
Amount	26,000	212,000
Percentage of present value of scheme liabilities	0.4%	3.4%

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

27 Control

The ultimate controlling party is Noble Foods Limited, a company registered in England and Wales

Noble Foods Limited prepares group financial statements and copies can be obtained from Companies House, Cardiff

M R J Kent and P Dean, directors of Noble Foods Limited, are jointly the ultimate controlling party

28 Related Party Transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared

Group companies undertook the following transactions during the period with other group companies not forming part of these consolidated financial statements

	2006		2005	
	Purchases And Rent £	Sales To £	Purchases And Rent £	Sales To £
Clifford Kent Holdings Limited	-	-	2,575,510	436,322
Horizon Kent Limited	-	-	151,407	18,942
Deans Foods Limited	5,829,943	2,666,915	-	-
	<u>5,829,943</u>	<u>2,666,915</u>	<u>2,726,917</u>	<u>455,264</u>

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

	2006		2005	
	Owing To £	Owing From £	Owing To £	Owing From £
Clifford Kent Holdings Limited	14,801	108,271	7,929	187,904
Deans Foods Limited	2,125,964	520,925	-	-
	<u>2,140,765</u>	<u>629,196</u>	<u>7,929</u>	<u>187,904</u>

Group companies undertook the following transactions during the period with companies of which a director, Mrs P J Corbett, is a controlling shareholder and is therefore presumed to be a related party

	2006		2005	
	Purchases And Rent £	Sales To £	Purchases And Rent £	Sales To £
STC Packers Limited	2,172,203	79,597	-	-
Church Farm Eggs Limited	887,414	-	-	-
STC Logistics Limited	2,479,382	-	-	-
	<u>5,538,999</u>	<u>79,597</u>	<u>-</u>	<u>-</u>

STONEGATE FARMERS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

28 Related Party Transactions (continued)

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

	2006		2005	
	Owing To £	Owing From £	Owing To £	Owing From £
STC Packers Limited	93,619	84,491	-	-
Church Farm Eggs Limited	-	462	-	-
STC Logistics Limited	121,753	443	-	-
	<u>215,372</u>	<u>85,396</u>	<u>-</u>	<u>-</u>

29 Post balance sheet events

On 13 September 2006 the Office of Fair Trading referred the completed merger between Deans Food Group Limited and Clifford Kent Holdings Limited to the Competition Commission for investigation under section 22 of the Enterprise Act 2002. As a result of this referral, the Competition Commission published a report on 20 April 2007 concluding that the merger may be expected to result in substantial lessening of competition within the egg market which in turn may be expected to result in adverse effects on producers, a reduction in production volumes with retailers and ultimate consumers being faced with higher prices.

The conclusion of the Competition Commission merger inquiry was that the divestiture of Clifford Kent and its subsidiaries is likely to be the most effective and proportionate remedy for dealing with the findings and accordingly, the Competition Commission ruled that the divestiture should be completed by 22 February 2008.

Therefore the Directors of Noble Foods Limited, the ultimate controlling party of Stonegate Foods Limited have sought to divest the activities of Clifford Kent Holdings Limited through a disposal of the share capital of Clifford Kent Holdings Limited. At the time of signing these financial statements, Noble Foods Limited are currently in the final stages of disposing of the Clifford Kent Holdings Limited group.