

CAVENDISH SHIPS STORES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 January 2008



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COMPANIES HOUSE

CAVENDISH SHIPS STORES LIMITED

COMPANY INFORMATION

DIRECTORS

J D Burden
T Hussey
S Burden
J Davey (appointed 13/06/2007)

SECRETARY

T Hussey

COMPANY NUMBER

1433354

REGISTERED OFFICE

Hermitage Oast
Danns Lane
Mereworth
Kent
ME18 5LW

AUDITORS

Horwath Clark Whitehill LLP
Chartered Accountants & Registered Auditors
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

CAVENDISH SHIPS STORES LIMITED

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CAVENDISH SHIPS STORES LIMITED

DIRECTORS' REPORT for the year ended 31 January 2008

The directors present their report and the financial statements for the year ended 31 January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

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

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

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

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be that of ship chandlers and wholesalers of foodstuffs.

BUSINESS REVIEW

The considerable effort made by the management team over the last two years to refocus the company and drive sales forward is beginning to bear fruit. Turnover has increased by 25.1% to £14.0 million from £11.2 million. Gross margins have fallen from 15.3% to 14.0%, partially from product mix and partially from the company initially having to absorb some supplier price increases. Nevertheless, gross profit per employee has improved from £50,128 to £55,800.

Overheads are very well contained, especially given the increase in volumes. The resulting pre-tax loss of £(75,317) is much improved over the previous year's result of £(208,349). The Directors firmly believe that the company will return to profit in 2008/09.

Working capital has again been very well managed, as shown by the increase in the working capital ratio from 0.88 to 1.21.

To reinforce its continuing faith in the future of Cavendish Ships Stores Ltd, The Burden Group plc has increased its investment in the company by £625,000.

Continuing turbulence in the financial markets leading to Sterling weakness, increasing commodity prices, plus the threat of recession in the UK and USA are seen as the major risks that the company faces in the year ahead.

The company continues to proactively seek ways to improve its offering to customers through efficient and imaginative procurement combined with first class service levels.

CAVENDISH SHIPS STORES LIMITED

DIRECTORS' REPORT for the year ended 31 January 2008

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £45,045 (2007 - loss £156,088)

The directors do not recommend payment of a dividend (2007 £Nil)

DIRECTORS

The directors who served during the year were

J D Burden
T Hussey
S Burden
J Davey (appointed 13/06/2007)

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company's policy is to pay its creditors promptly. It is the company's policy to agree the terms of payment at the time the contract of supply is made to ensure that suppliers are aware of the terms of payment and to make payments in accordance therewith. At the year end the company had an average of 45 days (2007 40 days) purchases outstanding in trade creditors.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 28 May 2008 and signed on its behalf



T Hussey
Secretary

CAVENDISH SHIPS STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAVENDISH SHIPS STORES LIMITED

We have audited the financial statements of Cavendish Ships Stores Limited for the year ended 31 January 2008, set out on pages 5 to 14. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders 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 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 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

CAVENDISH SHIPS STORES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAVENDISH SHIPS STORES LIMITED

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2008 and of its loss for the year then ended,
- 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

Horwath Clark Whitehill LLP

HORWATH CLARK WHITEHILL LLP

Chartered Accountants
Registered Auditors
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

28 May 2008

CAVENDISH SHIPS STORES LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 January 2008

| | Note | 2008 £ | 2007 £ |
|----------------------------------------------------|------|------------------------|-------------------------|
| TURNOVER | 1,2 | 13,958,616 | 11,153,878 |
| Cost of sales | | <u>(12,005,603)</u> | <u>(9,449,515)</u> |
| GROSS PROFIT | | 1,953,013 | 1,704,363 |
| Selling and distribution costs | | <u>(1,088,981)</u> | <u>(1,058,806)</u> |
| Administrative expenses | | <u>(886,378)</u> | <u>(817,897)</u> |
| OPERATING LOSS | 3 | (22,346) | (172,340) |
| Interest receivable | | 143 | 253 |
| Interest payable | 6 | <u>(53,114)</u> | <u>(36,262)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (75,317) | (208,349) |
| Tax on loss on ordinary activities | 7 | <u>30,272</u> | <u>52,261</u> |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | 14 | <u>(45,045)</u> | <u>(156,088)</u> |

All amounts relate to continuing operations

There were no recognised gains and losses for 2008 or 2007 other than those included in the Profit and loss account

The notes on pages 7 to 14 form part of these financial statements

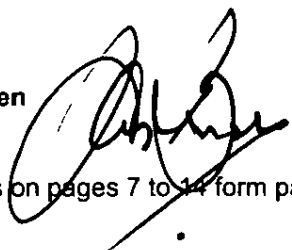
CAVENDISH SHIPS STORES LIMITED

BALANCE SHEET
as at 31 January 2008

| | Note | £ | 2008 £ | £ | 2007 £ |
|-------------------------------------------------------|------|--------------------|-----------------|--------------------|------------------|
| FIXED ASSETS | | | | | |
| Tangible fixed assets | 8 | | 251,643 | | 287,759 |
| CURRENT ASSETS | | | | | |
| Stocks | 9 | 709,959 | | 440,713 | |
| Debtors | 10 | 1,266,968 | | 1,527,833 | |
| Cash at bank and in hand | | 10,727 | | 2,698 | |
| | | <u>1,987,654</u> | | <u>1,971,244</u> | |
| CREDITORS: amounts falling due within one year | 11 | <u>(1,648,177)</u> | | <u>(2,249,605)</u> | |
| NET CURRENT ASSETS/(LIABILITIES) | | | <u>339,477</u> | | <u>(278,361)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>591,120</u> | | <u>9,398</u> |
| PROVISIONS FOR LIABILITIES | | | | | |
| Deferred tax | 12 | | <u>(13,550)</u> | | <u>(11,783)</u> |
| NET ASSETS/(LIABILITIES) | | | <u>577,570</u> | | <u>(2,385)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 650,000 | | 25,000 |
| Profit and loss account | 14 | | <u>(72,430)</u> | | <u>(27,385)</u> |
| SHAREHOLDERS' FUNDS/(DEFICIT) | 15 | | <u>577,570</u> | | <u>(2,385)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 May 2008

J D Burden
Director



The notes on pages 7 to 14 form part of these financial statements

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2008

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The directors note that there is an excess of liabilities over assets on the balance sheet at the year end. The company is reliant on support from its parent company, The Burden Group plc, in order to meet its liabilities as they fall due.

The directors have obtained confirmation from the parent company that the parent company will continue to provide support for a period of at least twelve months from the date that these financial statements are signed. The financial statements are therefore prepared on the going concern basis.

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|-------------------------------|---|----------------------------------------------------|
| Short Term Leasehold Property | - | 10% straight line or over the remaining lease term |
| Plant & machinery | - | 5 - 50% straight line |
| Motor vehicles | - | 25% straight line |

1.4 LEASING AND HIRE PURCHASE

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 OPERATING LEASES

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2008

1 ACCOUNTING POLICIES (continued)

1.7 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.9 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2 TURNOVER

The whole of the turnover is attributable to the principal activity of the company

All turnover arose within the United Kingdom

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2008

3. OPERATING LOSS

The operating loss is stated after charging/(crediting)

| | 2008 £ | 2007 £ |
|---------------------------------------------|-------------------|-------------------|
| Depreciation of tangible fixed assets | | |
| - owned by the company | 57,914 | 59,331 |
| Operating lease rentals | | |
| - plant and machinery | 125,103 | 133,064 |
| - other operating leases | 287,759 | 279,970 |
| Difference on foreign exchange | (271) | 387 |
| Profit on disposal of tangible fixed assets | 5 | 9,144 |
| | <u> </u> | <u> </u> |

During the year, no director received any emoluments (2007 - £NIL)

4. AUDITORS' REMUNERATION

| | 2008 £ | 2007 £ |
|--------------------------------------------------------------------------------------|-------------------|-------------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 8,858 | 6,950 |
| | <u> </u> | <u> </u> |

5. STAFF COSTS

Staff costs were as follows

| | 2008 £ | 2007 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 716,622 | 686,207 |
| Social security costs | 69,093 | 70,699 |
| Other pension costs | 6,830 | 9,045 |
| | <u>792,545</u> | <u>765,951</u> |

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

| | 2008 No | 2007 No |
|------------------------|------------|------------|
| Office and management | 15 | 13 |
| Sales and distribution | 20 | 21 |
| | <u>35</u> | <u>34</u> |

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2008

6. INTEREST PAYABLE

| | 2008 £ | 2007 £ |
|------------------------------|-----------|-----------|
| On bank loans and overdrafts | 53,114 | 36,262 |

7 TAXATION

| | 2008 £ | 2007 £ |
|---------------------------------------------------|-----------|-----------|
| ANALYSIS OF TAX CREDIT IN THE YEAR | | |
| CURRENT TAX (see note below) | | |
| UK corporation tax charge on loss for the year | - | 32 |
| Group taxation relief | (32,039) | (64,076) |
| TOTAL CURRENT TAX | (32,039) | (64,044) |
| DEFERRED TAX | | |
| Origination and reversal of timing differences | 794 | 4,537 |
| Effect of increased tax rate on opening liability | 638 | - |
| Adjustments in respect of prior period | 335 | 7,246 |
| TOTAL DEFERRED TAX (see note 12) | 1,767 | 11,783 |
| TAX ON LOSS ON ORDINARY ACTIVITIES | (30,272) | (52,261) |

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2007 - *lower than*) the standard rate of corporation tax in the UK (30%) The differences are explained below

| | 2008 £ | 2007 £ |
|----------------------------------------------------------------------------------------------------------|-----------|-----------|
| Loss on ordinary activities before tax | (75,317) | (208,349) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 - 19%) | (22,595) | (39,586) |
| EFFECTS OF | | |
| Expenses not deductible for tax purposes | 833 | 1,084 |
| Capital allowances for year in excess of depreciation | (10,277) | (4,536) |
| Ineligible depreciation | - | 2,494 |
| Group relief paid for at a higher rate of tax | - | (23,500) |
| CURRENT TAX CREDIT FOR THE YEAR (see note above) | (32,039) | (64,044) |

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2008

8 TANGIBLE FIXED ASSETS

| | Land and buildings £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|--------------------------|----------------------------|-----------------------------|------------------------|----------------|
| COST OR VALUATION | | | | |
| At 1 February 2007 | 50,149 | 715,751 | 27,021 | 792,921 |
| Additions | 7,705 | 14,098 | - | 21,803 |
| Disposals | - | (6,287) | - | (6,287) |
| At 31 January 2008 | <u>57,854</u> | <u>723,562</u> | <u>27,021</u> | <u>808,437</u> |
| DEPRECIATION | | | | |
| At 1 February 2007 | 41,066 | 460,718 | 3,378 | 505,162 |
| Charge for the year | 2,715 | 48,444 | 6,755 | 57,914 |
| On disposals | - | (6,282) | - | (6,282) |
| At 31 January 2008 | <u>43,781</u> | <u>502,880</u> | <u>10,133</u> | <u>556,794</u> |
| NET BOOK VALUE | | | | |
| At 31 January 2008 | <u>14,073</u> | <u>220,682</u> | <u>16,888</u> | <u>251,643</u> |
| At 31 January 2007 | <u>9,083</u> | <u>255,033</u> | <u>23,643</u> | <u>287,759</u> |

9 STOCKS

| | 2008 £ | 2007 £ |
|-------------------------------------|----------------|----------------|
| Finished goods and goods for resale | <u>709,959</u> | <u>440,713</u> |

10 DEBTORS

| | 2008 £ | 2007 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 981,833 | 1,152,616 |
| Amounts owed by group undertakings | 50,159 | 153,142 |
| Other debtors | 36,441 | 52,202 |
| Prepayments and accrued income | 198,535 | 169,873 |
| | <u>1,266,968</u> | <u>1,527,833</u> |

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2008

11 CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 £ | 2007 £ |
|------------------------------------|------------------|------------------|
| Bank loans and overdrafts | 84,257 | 352,165 |
| Trade creditors | 1,487,122 | 1,045,198 |
| Amounts owed to group undertakings | - | 695,123 |
| Corporation tax | - | 64,955 |
| Social security and other taxes | 17,012 | 19,195 |
| Other creditors | - | 1,353 |
| Accruals and deferred income | 59,786 | 71,616 |
| | <u>1,648,177</u> | <u>2,249,605</u> |

Included within bank loans and overdrafts is £84,257 (2007 - £345,953) due to an invoice discount factor, which is secured over the book debts due to the company

12. DEFERRED TAXATION

| | 2008 £ | 2007 £ |
|---------------------|---------------|---------------|
| At 1 February 2007 | 11,783 | - |
| Charge for the year | 1,767 | 11,783 |
| | <u>13,550</u> | <u>11,783</u> |
| At 31 January 2008 | <u>13,550</u> | <u>11,783</u> |

The provision for deferred taxation is made up as follows

| | 2008 £ | 2007 £ |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | <u>13,550</u> | <u>11,783</u> |

13. SHARE CAPITAL

| | 2008 £ | 2007 £ |
|-----------------------------------------------------------|----------------|---------------|
| AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID | | |
| 650,000 (2007 - 25,000) Ordinary shares shares of £1 each | <u>650,000</u> | <u>25,000</u> |

During the year the company increased its authorised share capital to 650,000 ordinary shares. Following this, the company issued 625,000 ordinary shares of £1 each, with an aggregate nominal value of £625,000 at par

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 January 2008

14 RESERVES

| | Profit and loss account £ |
|--------------------|---------------------------------|
| At 1 February 2007 | (27,385) |
| Loss for the year | (45,045) |
| At 31 January 2008 | <u>(72,430)</u> |

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2008 £ | 2007 £ |
|---------------------------------------|----------------|----------------|
| Opening shareholders' (deficit)/funds | (2,385) | 153,703 |
| Loss for the year | (45,045) | (156,088) |
| Shares issued during the year | 625,000 | - |
| Closing shareholders' funds/(deficit) | <u>577,570</u> | <u>(2,385)</u> |

16 CONTINGENT LIABILITIES

The company is party to a cross guarantee given in respect of the commercial finance facilities accorded to the group. At 31 January 2008 amounts of £804,366 (2007 - £1,237,817) were outstanding under these arrangements, which are not dealt with in these financial statements.

17. PENSION COMMITMENTS

At 31 January 2008 there were pension commitments of £Nil (2007 - £1,353)

18 OPERATING LEASE COMMITMENTS

At 31 January 2008 the company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings | | | Other |
|-----------------------|--------------------|---------|--------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | £ | £ | £ | £ |
| EXPIRY DATE: | | | | |
| Within 1 year | - | - | 50,268 | 69,173 |
| Between 2 and 5 years | 202,000 | 202,000 | 60,599 | 26,464 |

19 RELATED PARTY TRANSACTIONS

Cavendish Ships Stores Limited has taken advantage of the exemptions available to it as a 100% subsidiary and intra group transactions have not been disclosed in these financial statements.

CAVENDISH SHIPS STORES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 January 2008

19 RELATED PARTY TRANSACTIONS (continued)

20 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The parent and ultimate parent company is The Burden Group Plc which owns 100% (2007 - 100%) of the issued share capital of the company and J D Burden has overall control over The Burden Group Plc. The financial statements of the company are consolidated within the results of the Burden Group plc.

The Burden Group Plc is registered in England and Wales. Copies of the group financial statements of The Burden Group Plc are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.