

Capespan International Plc

Directors' report and
consolidated financial statements

Year ended 30 December 2007

Registered number 2893876



Capespan International Plc

Directors' report and consolidated financial statements

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Directors and other information

Directors

R P Byrne (Irish) (Chairman)
F J Davis (Irish)
G Green (resigned 14 July 2008)
L B Kriel Jnr (South African)
R E Lennon (resigned 18 March 2008)
G Muller (German) (resigned 18 March 2008)
C Shaughnessey (Irish) (appointed 1 March 2007)
N W Oosthuizen (South African)
(appointed 15 September 2008)
A J De Haast (South African)
(appointed 15 September 2008)

Company Secretary

B Ward (resigned 1 March 2007)
K J Wayman (appointed 1 March 2007)

Bankers

The Royal Bank of Scotland
Corporate Business Retail Team
8th Floor
280 Bishopsgate
London
EC2M 4RB
UK

Solicitors

LLC Law
4 Bramber Court
Bramber Road
London W14 9PW
UK

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Registered Office

Lappel Bank
Port of Sheerness
Sheerness
Kent
ME12 1RS
UK

Capespan International Plc

Directors' report

The directors present their 2007 annual report and the audited financial statements for the year ended 30 December 2007

Principal activities and business review

The principal activity is the provision of marketing, selling, distribution and other services in relation to the fruit trade and allied food products. There has been no significant change in those activities during the year.

Principal risks and uncertainties

The group's earnings are largely dependent on the volume of produce sold and the selling prices obtained in the UK and European market. Excess supplies of fresh produce leading to reduced selling prices could have an adverse effect on the group's revenues and profitability.

The group's customer base consists of major retailers and wholesalers. The increasing concentration of customers can increase risk. Changes in the trading relationships with major customers or their procurement policies could positively or negatively affect the operations and profitability of the business.

Profitability in the fresh produce sector is dependent on high quality supplies and consistency of delivery. It is possible that serious quality issues and in particular, contamination of product, whether deliberate or accidental, could have a negative impact on revenue and profitability.

The group sources product globally and is therefore exposed to foreign exchange risk if there is a significant movement of certain currencies against sterling. It is also exposed to climate and crop failure risks in source countries.

The group is dependent on certain key service providers who provide packing, warehousing and haulage services. It is possible that service level issues could impact on revenue and profitability.

The group is dependent on the continuing commitment of its directors and senior management team. The loss of such key personnel without adequate replacement could have an adverse effect on the business.

The management team continually monitor and manage these risks.

Results and dividends

The group profit after tax for the year ended 30 December 2007 was £2,153,000 (2006 £2,098,000).

The results of the group for the year ended 30 December 2007 are set out on page 8. The directors do not recommend payment of a dividend for the year.

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Directors' report (*continued*)

Directors and secretary

C Shaughnessey was appointed as director on 1 March 2007. R E Lennon and G Muller resigned as directors on 18 March 2008. G Green resigned as director on 14 July 2008. B Ward resigned as company secretary on 1 March 2007 and was replaced by K J Wayman. A J De Haast and N W Oosthuizen were both appointed as directors on 15 September 2008.

Future developments

Capespan International Plc continued to show sustainable profits in 2007. The mix of non South African business continued to grow, and there was a broader range of customers, further improving the risk profile.

For 2008, the business will look to consolidate its performance, focussing on improving the offer to key customers and markets whilst also looking at opportunities to broaden the customer and supply base.

Directors' and company secretary's interests

The directors and company secretary do not hold any interest in shares and share options of the company.

Employees and employee involvement

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The group retains its full commitment to ensuring employees are fully involved with, and kept informed of, the progress of both the particular business, and the group overall, on a regular basis. The development of employees to realise their full potential is considered fundamental to the long-term success of the group.

Payments to creditors

It is the group's normal practice to make payments to suppliers in accordance with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions. As a large part of purchases are made from group companies, the group does not believe it is meaningful to disclose third party creditor days.

Political and charitable contributions

The group made charitable and non political contributions of £1,015 (2006 £1,690) during the year.

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Directors' report *(continued)*

Post balance sheet events

On 31 December 2007, an application was made for the allotment of 24,500 non-voting redeemable cumulative preference shares of £1 each in the share capital of UJuice Limited at a subscription price of £10 per share. The consideration for such shares comprised the cancellation of trading debt of £245,000 owed by UJuice Limited at the balance sheet date.

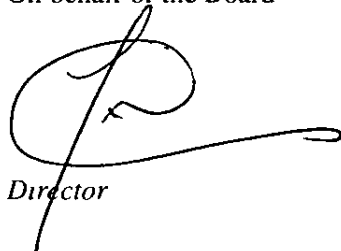
Disclosure of information to auditors

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

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditor of the group is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



Director

16 October 2008

Capespan International Plc

Statement of directors' responsibilities

The directors are responsible for preparing the Group and Company financial statements, in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

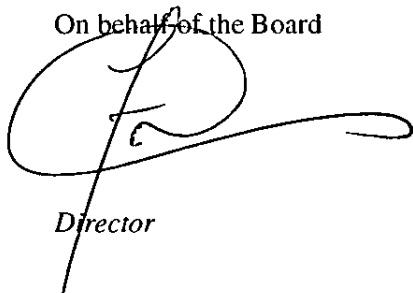
In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that its financial statements comply with the Companies Act, 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the Companies Act, 1985.

On behalf of the Board

A large, stylized handwritten signature in black ink, consisting of a large loop and a long horizontal stroke.

Director



KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Capespan International Plc

We have audited the group and parent company financial statements (the "financial statements") of Capespan International Plc for the year ended 30 December 2007 which comprise the group income statement, group statement of recognised income and expense, group balance sheet, company balance sheet, group cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 group and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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 group's circumstances, consistently applied and adequately disclosed.



Independent auditor's report to the members of Capespan International Plc
(continued)

Basis of audit opinion *(continued)*

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group and company's affairs as at 30 December 2007 and of the group's profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act, 1985

Chartered Accountants
Registered Auditors

16 October 2008

Capespan International Plc

Group income statement for the year ended 30 December 2007

	Notes	2007 £'000	2006 £'000
Revenue	<i>1</i>	249,293	232,794
Cost of sales		(229,293)	(215,101)
Gross profit		20,000	17,693
Other operating income	<i>4</i>	1	73
Administrative expenses (<i>includes £157,000 (2006 £45,000) impairment of goodwill</i>)		(16,860)	(15,580)
Other operating expenses	<i>5</i>	(285)	(40)
Operating profit		2,856	2,146
Share of post-tax losses of joint venture and associates	<i>12</i>	(126)	-
Financial income	<i>6</i>	1,176	1,015
Financial expense	<i>6</i>	(938)	(883)
Profit before tax		2,968	2,278
Income tax expense	<i>7</i>	(815)	(180)
Profit for the financial year	<i>3</i>	2,153	2,098
Attributable as follows			
Equity shareholders		2,153	2,098
Minority interest		-	-
Profit for the financial year		2,153	2,098

On behalf of the board

Director

Capespan International Plc

Group statement of recognised income and expense for the year ended 30 December 2007

	2007 £'000	2006 £'000
<i>Items of income and expense recognised directly in equity</i>		
Foreign currency translation effects		
- foreign currency net investments	166	(57)
Actuarial gain/(loss) recognised on defined benefit pension schemes	220	(10)
Deferred tax on actuarial gain/(loss) on defined benefit pension schemes	(40)	3
	<hr/>	<hr/>
Net profit/(loss) recognised directly in equity	346	(64)
Profit for the financial year	2,153	2,098
	<hr/>	<hr/>
Total recognised income and expense attributable to equity shareholders	2,499	2,034
	<hr/>	<hr/>

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Company statement of recognised income and expense for the year ended 30 December 2007

	<i>Notes</i>	2007 £'000	2006 £'000
<i>Items of income and expense recognised directly in equity</i>			
Actuarial (loss) recognised on defined benefit pension schemes		(106)	(51)
Deferred tax on actuarial (loss) on defined benefit pension schemes		30	15
		<hr/>	<hr/>
Net (loss) recognised directly in equity		(76)	(36)
Profit for the financial year		375	685
		<hr/>	<hr/>
Total recognised income and expense attributable to equity shareholders		299	649
		<hr/>	<hr/>

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Group balance sheet as at 30 December 2007

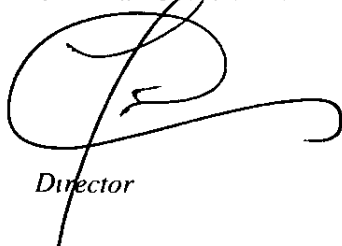
	<i>Notes</i>	2007 £'000	2006 £'000
Assets			
Non-current			
Property, plant and equipment	<i>10</i>	1,120	1,229
Goodwill and intangible assets	<i>11</i>	924	1,081
Investments in associates	<i>12</i>	439	565
Equity investments	<i>13</i>	9	9
Employee post-retirement benefits	<i>25</i>	1,474	1,308
Deferred tax assets	<i>23</i>	636	586
		<hr/>	<hr/>
Total non-current assets		4,602	4,778
		<hr/>	<hr/>
Current			
Inventories	<i>17</i>	1,552	2,011
Trade and other receivables	<i>15</i>	25,211	18,710
Current tax	<i>16</i>	75	548
Cash and cash equivalents	<i>18</i>	6,430	6,405
		<hr/>	<hr/>
Total current assets		33,268	27,674
		<hr/>	<hr/>
Total assets		37,870	32,452
		<hr/>	<hr/>

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Group balance sheet *(continued)* as at 30 December 2007

	<i>Notes</i>	2007 £'000	2006 £'000
Equity			
Called-up share capital	19	3,452	3,452
Other reserves	20	4,300	4,300
Currency reserve	20	90	(76)
Retained earnings	20	(2,706)	(5,039)
Total equity		5,136	2,637
Liabilities			
Non-current			
Employee post-retirement benefits	25	1,623	1,789
Deferred tax	23	2	14
Total non-current liabilities		1,625	1,803
Current			
Interest-bearing loans and borrowings	18	1,738	4,523
Trade and other payables	21	28,202	22,731
Provisions	22	277	596
Current tax payable	16	892	162
Total current liabilities		31,109	28,012
Total liabilities		32,734	29,815
Total equity and liabilities		37,870	32,452

On behalf of the board



Director

Capespan International Plc

Company balance sheet as at 30 December 2007

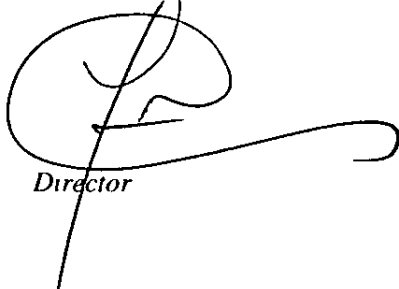
	<i>Notes</i>	2007 £'000	2006 £'000
Assets			
Non-current			
Investments in associates and subsidiaries	12	7,034	7,034
Employee post retirement benefits	25	8	46
Deferred tax assets	23	285	13
		<hr/>	<hr/>
Total non-current assets		7,327	7,093
		<hr/>	<hr/>
Current			
Trade and other receivables	15	462	1,398
Current tax	16	-	-
Cash and cash equivalents	18	936	1,975
		<hr/>	<hr/>
Total current assets		1,398	3,373
		<hr/>	<hr/>
Total assets		8,725	10,466
		<hr/>	<hr/>
Equity			
Called-up share capital	19	3,452	3,452
Other reserves	20	4,300	4,300
Retained earnings	20	(1,900)	(2,199)
		<hr/>	<hr/>
Total equity		5,852	5,553
		<hr/>	<hr/>

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Company balance sheet (continued) as at 30 December 2007

	Notes	2007 £'000	2006 £'000
Liabilities			
Non-current			
Employee post-retirement benefits	25	-	-
Deferred tax liabilities	23	2	14
Total non-current liabilities		2	14
Current			
Interest-bearing loans and borrowings	18	1,056	1,822
Trade and other payables	21	1,587	2,771
Provisions	22	106	264
Current tax payable	16	122	42
Total current liabilities		2,871	4,899
Total liabilities		2,873	4,913
Total equity and liabilities		8,725	10,466

On behalf of the board



Director

Capespan International Plc

Group cash flow statement for the year ended 30 December 2007

	2007 £'000	2006 £'000
Operating activities		
Profit for financial year	2,153	2,098
<i>Adjustments for</i>		
Depreciation on property plant and equipment	335	363
Impairment losses on intangible assets	157	45
Net finance (income)	(171)	(132)
Share of losses of JV	(126)	-
Loss/(gain) on sale of property, plant and equipment	1	(10)
Income tax expense	815	180
Employee benefit service costs and settlement gains	67	-
Foreign exchange movements	(13)	(14)
	<hr/>	<hr/>
	3,218	2,530
Changes in inventories	459	(370)
Change in current trade and other receivables	(6,501)	3,854
Change in trade and other payables	5,043	(4,028)
Change in provisions	319	(771)
Employee benefit contributions	-	(46)
	<hr/>	<hr/>
	(680)	(1,361)
Interest paid	(72)	(65)
Income tax	310	(144)
	<hr/>	<hr/>
Net cash flows from operating activities	2,776	960
Investing activities		
Interest received	243	189
Dividends received	-	-
Proceeds from sale of property, plant and equipment	6	21
Acquisition of property, plant and equipment	(215)	(303)
Acquisition of business	-	(59)
	<hr/>	<hr/>
Cash flows from investing activities	34	(152)

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Group cash flow statement *(continued)* for the year ended 30 December 2007

	2007 £'000	2006 £'000
Net increase in cash and cash equivalents	2,810	808
Cash and cash equivalents, including bank overdrafts at beginning of year	1,882	1,074
	<hr/>	<hr/>
Cash and cash equivalents, including bank overdrafts at 30 December 2007	4,692	1,882
	<hr/>	<hr/>

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Significant accounting policies *for the year ended 30 December 2007*

Capespan International plc ("the Company") is a company domiciled and incorporated in the UK. The Group's financial statements for the year ended 30 December 2007 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group") and show the Group's interest in associates using the equity method of accounting.

The financial statements were authorised for issue by the directors on 16 October 2008.

The accounting policies applied in the preparation of the financial statements for the year ended 30 December 2007 are set out below.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. The individual financial statements of the Company ('Company financial statements') have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1985 which permits a Company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 230 of the Companies Act 1985 from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU and applied by the Group in the preparation of these financial statements are those that were effective at 30 December 2007. The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs adopted by the EU which are not yet effective and have not been early adopted in these financial statements.

- *IFRS 8 Operating Segments* - effective for annual periods beginning on or after 1 January 2009 but not expected to have an impact on the Group's accounts. Capespan International Plc are not in scope.

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Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Basis of preparation

The financial statements of the Company and of the Group are prepared on the historical cost basis except for certain financial assets and pension obligations which are stated at their fair value. The financial statements are presented in Sterling rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

Accounting for subsidiaries and associate undertakings

Group financial statements

Subsidiaries

Subsidiaries are those entities over which the Group has the power to control the operating and financial policy so as to obtain economic benefit from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The amounts included in these financial statements in respect of the subsidiaries are taken from their latest financial statements prepared up to their respective year ends, together with management accounts for the intervening periods to the period end, where necessary, although all significant subsidiaries have coterminous financial year ends. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements, except to the extent they provide evidence of impairment.

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Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Accounting for subsidiaries and associate undertakings *(continued)*

Associates

Associates are those entities in which the Group has significant influence over, but not control of the financial and operating policies. Investments in associates are accounted for by the equity method of accounting.

Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its associate are recognised in the Group income statement. The income statement reflects in profit before tax, the Group's share of profit after tax of its associate in accordance with IAS 28 *Investments in Associates*. The Group's interest in their net assets is included as investments in associates in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post acquisition retained income and expenses. The amounts included in these financial statements in respect of the post acquisition income and expenses of the associate is taken from their latest financial statements prepared up to their year end.

Company financial statements

Investments in subsidiaries and associates are carried at cost less impairment. Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Expenditure incurred to replace a component of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

Computer equipment	Between 20% and 33% per annum
Motor vehicles	25% per annum
Fixtures, fittings and other equipment	Between 10% and 20% per annum
Buildings	Between 5% and 20% per annum

The residual value of assets, if not insignificant, and the useful life of assets is reassessed annually.

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Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Leases

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership (finance leases) to the group are included in the balance sheet as tangible fixed assets at cost less accumulated depreciation and the capital element of future rentals is treated as a liability. The interest element is charged to the income statement over the period of the finance lease in proportion to the balance of capital repayments outstanding.

Operating lease rentals are charged to the income statement in equal annual amounts over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the direct cost of fruit to the group. Net realisable value is the estimated selling price in the ordinary course of business, less all further marketing and selling costs. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Foreign currency

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets carried at historic cost are not subsequently retranslated. Non-monetary assets carried at fair value are subsequently remeasured at the exchange rate at the date of valuation. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

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Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Foreign currency *(continued)*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at the average exchange rate for the financial period. Foreign exchange differences arising on translation of the net investment in a foreign operation, including those arising on long term intra Group loans deemed to be quasi equity in nature, are recognised directly in equity, in a translation reserve. They are released to the income statement upon disposal.

The portion of exchange gains or losses on foreign currency borrowings used to provide a hedge against a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in profit or loss.

Any differences that have arisen since 29 December 2003, the date of transition to IFRS, are recognised in the currency translation reserve and are recycled through the income statement on disposal of the related business. Translation differences that arose before the date of transition to IFRS in respect of all non-sterling denominated operations are not presented separately.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, joint ventures and associates. In respect of business acquisitions that have occurred since 29 December 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 29 December 2003 has not been reconsidered in preparing the group's opening IFRS balance sheet at 29 December 2003.

Goodwill is allocated to cash generating units and is now no longer amortised but is tested annually for impairment at a consistent time each year. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

Intangible assets

Intangible assets that are acquired by the group are stated at cost less accumulated depreciation and impairment losses, when separable or arising from contractual or other legal rights and are reliably measurable.

Capespan International Plc

Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Intangible assets *(continued)*

Amortisation is expensed in the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date they are available for use. Intangible assets reflecting the value of customer relationships, which arise on acquisitions, are amortised over their useful lives.

Impairment reviews and testing

The carrying amounts of the group's assets, other than inventories, (which are carried at the lower of cost and net realisable value), certain financial assets (which are carried at fair value) and deferred tax assets, (which are recognised based on recoverability), are assessed for impairment when an event or transaction indicates that an impairment may have occurred except for goodwill and indefinite lived intangibles which are assessed annually for impairment. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Goodwill assets were tested for impairment at 29 December 2003, the date of transition to IFRSs, and at the balance sheet date and the appropriate adjustments made to the carrying values.

Goodwill assets with an indefinite useful life are tested for impairment at each balance sheet date. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue

Revenue represents the fair value of amounts (excluding value added tax) derived from the sale of fruit and allied products and services. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

Capespan International Plc

Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Employee benefits

Pension obligations

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as services from employees are received. The Group's net obligation in respect of defined benefit pension schemes is calculated, separately for each plan, by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by the Group's actuaries using the projected unit credit method. All actuarial gains and losses as at 29 December 2003, the date of transition to IFRS, were recognised in full against retained earnings. Actuarial gains and losses for subsequent periods are recognised in the statement of recognised income and expense. Current and past service costs, interest on scheme liabilities and expected return on assets are recognised in the income statement and included in operating profit.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. If the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Capespan International Plc

Significant accounting policies (*continued*) *for the year ended 30 December 2007*

Financial instruments

Equity investments

Equity investments held by the group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When a devaluation of these assets is significant or prolonged, it is removed from its fair value reserve and shown as an impairment loss in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Interest-bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents, comprise cash balances and call deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrued in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted insecurities is the ex-dividend date.

Finance expenses comprise expense on borrowings, unwinding of the discount on provisions, dividend on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Capespan International Plc

Significant accounting policies *(continued)* *for the year ended 30 December 2007*

Trade and other receivables

Trade and other receivables are initially measured at fair value and are thereafter measured at amortised cost using the effective interest method less any provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Capespan International Plc Limited

Notes

forming part of the consolidated financial statements

1 Revenue

Revenue represents gross sales of fruit and allied products marketed, sold and distributed to customers in the UK and Europe

2 Information regarding directors and employees

Directors' emoluments	2007 Number	2006 Number
Number of directors who are members of a defined benefit scheme	-	1
	£'000	£'000
Total directors' emoluments, excluding pension contributions	470	506
Pension contributions	41	43
Remuneration of the highest paid director	196	160

Also included in the remuneration of the highest paid director are company pension contributions of £41,000 (2006 £18,000) made to a pension scheme on his behalf

Employees

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

	2007 Number	2006 Number
Production	24	21
Sales and distribution	188	189
Administration	51	54
	263	264

Capespan International Plc

Notes *(continued)*

2 Information regarding directors and employees *(continued)*

	2007 £'000	2006 £'000
Employee benefits		
The aggregate employee costs/(credits) for the group are as follows		
Wages and salaries	8,272	8,597
Social security contributions	1,576	1,532
Pension costs - defined contribution schemes	586	518
Pension costs - defined benefit schemes	222	115
Actuarial (gains)/losses - defined benefit schemes	(295)	10
Other costs (including other benefits and training)	1,059	1,196
	<hr/>	<hr/>
	11,420	11,968
	<hr/>	<hr/>

3 Statutory and other information

	2007 £'000	2006 £'000
Profit for the financial year is stated after charging/(crediting)		
Depreciation of owned property, plant and equipment	335	333
Impairment of goodwill	157	45
Auditor's remuneration	118	95
Auditor's remuneration for non-audit services	114	65
Operating lease rentals		
- Plant and machinery	28	50
- Other	402	644
	<hr/>	<hr/>

The company audit fee was £35,000 (2006 £31,500)

Capespan International Plc

Notes (continued)

4 Other operating income	2007	2006
	£'000	£'000
Profit on disposal of property, plant and equipment	1	11
Foreign exchange gain	-	62
	<hr/>	<hr/>
	1	73
	<hr/>	<hr/>
5 Other operating expenses	2007	2006
	£'000	£'000
Loss on disposal of property, plant and equipment	(2)	(1)
Foreign exchange loss	(222)	(38)
Other	(61)	(1)
	<hr/>	<hr/>
	(285)	(40)
	<hr/>	<hr/>
6 Net financial income and expense	2007	2006
	£'000	£'000
Interest income	243	189
Income from investments and derivatives	-	8
Expected return on defined benefit pension scheme assets	933	818
	<hr/>	<hr/>
Financial income	1,176	1,015
	<hr/>	<hr/>
Interest expense on interest bearing borrowings	(72)	(65)
Interest cost on defined benefit pension scheme liabilities	(866)	(818)
	<hr/>	<hr/>
Financial expense	(938)	(883)
	<hr/>	<hr/>

Capespan International Plc

Notes (continued)

7	Income tax expense	2007 £'000	2006 £'000
	Recognised in the income statement		
	<i>Current tax</i>		
	UK corporation tax at 30% (2006 30%)	42	118
	Foreign taxation	793	222
	Adjustments relating to prior year		
	UK corporation tax	50	(49)
	Foreign taxation	64	7
		<hr/>	<hr/>
	Total current tax	949	298
	Deferred tax (credit)/expense		
	Origination and reversal of temporary differences	380	(118)
	Adjustments in respect of previous years	(514)	-
		<hr/>	<hr/>
	Total deferred tax	(134)	(118)
		<hr/>	<hr/>
	Total income tax expense	815	180
		<hr/>	<hr/>
	Reconciliation of effective tax rate		
		2007 %	2007 £'000
			2006 %
			2006 £'000
	Profit before tax		2,968
			<hr/>
	Taxation based on UK Corporate rate	30	890
	Expenses not deductible for tax purposes	3	81
	Depreciation for period in excess of capital allowances	-	-
	Utilisation of tax losses	0.1	(4)
	Adjustments to prior years	(13.4)	(400)
	Other timing difference	2.4	71
	Difference in overseas statutory tax rates	2.6	76
	Effect of tax losses not recognised	3.4	101
			<hr/>
			815
			<hr/>
			180

Capespan International Plc

Notes (continued)

7 Income tax expense (continued)	2007	2006
	£'000	£'000

Movement on deferred tax liability recognised directly in equity

Relating to foreign currency translation effects	62	-
Relating to Group employee benefit schemes	(102)	3
	<hr/>	<hr/>
	(40)	3
	<hr/>	<hr/>

8 Dividends to equity shareholders

No dividends were declared during the year

9 Profit and loss of the company

As permitted by section 230 of the Companies Act, 1985, the income statement of the company is not presented as part of these accounts. The company's profit for the year amounted to £375,000 (2006 £685,000)

Capespan International Plc

Notes (continued)

10 Property, plant and equipment	Land and buildings £'000	Plant and equipment £'000	Total £'000
Group			
<i>Cost</i>			
Balance at 2 January 2006	1,279	2,895	4,174
Additions	69	255	324
Disposals	-	(10)	(10)
Exchange adjustment	-	(29)	(29)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	1,348	3,111	4,459
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2007	1,348	3,111	4,459
Additions	1	214	215
Disposals	-	(543)	(543)
Exchange adjustment	-	131	131
	<hr/>	<hr/>	<hr/>
Balance at 30 December 2007	1,349	2,913	4,262
	<hr/>	<hr/>	<hr/>
<i>Depreciation and impairment losses</i>			
Balance at 2 January 2006	662	2,322	2,984
Depreciation charge for the year	58	275	333
Disposals	-	(89)	(89)
Arising on business acquisition	-	26	26
Exchange adjustment	-	(24)	(24)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	720	2,510	3,230
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2007	720	2,510	3,230
Depreciation charge for the year	62	273	335
Disposals	-	(536)	(536)
Exchange adjustment	-	113	113
	<hr/>	<hr/>	<hr/>
Balance at 30 December 2007	782	2,360	3,142
	<hr/>	<hr/>	<hr/>

Capespan International Plc

Notes *(continued)*

10 Property, plant and equipment <i>(continued)</i>	Land and buildings £'000	Plant and equipment £'000	Total £'000
Group			
<i>Carrying amounts</i>			
As at 2 January 2006	617	573	1,190
	—	—	—
At 31 December 2006	628	601	1,229
	—	—	—
At 30 December 2007	567	553	1,120
	—	—	—

Land and buildings and plant and equipment are stated at depreciated historic cost

Leased property, plant and equipment

At 30 December 2007 no items of fixed assets were held under finance lease arrangements

Capespan International Plc

Notes (continued)

11 Goodwill and intangible assets

Group	2007 £'000	2006 £'000
Cost		
Balance at the beginning of the year	2,876	2,586
Arising from business combinations (Note 14)	-	290
	<hr/>	<hr/>
Balance at the end of the year	2,876	2,876
	<hr/>	<hr/>
Impairment		
Balance at the beginning of the year	1,795	1,750
Impairment for the year	157	45
	<hr/>	<hr/>
Balance at the end of the year	1,952	1,795
	<hr/>	<hr/>
Carrying amount		
At the beginning of the year	1,081	836
	<hr/>	<hr/>
At the end of the year	924	1,081
	<hr/>	<hr/>

Impairment charge

The impairment charge is recognised in administrative expenses in the income statement

The recoverable amounts of cash generating units (CGUs) are based on value in use calculations. Those calculations use cash flow projections based on expected future operating results and cash flows. The cash flow projections are based on current operating results of the individual CGUs and a conservative assumption regarding future organic growth. For the purposes of the calculation of value in use, the cash flows are projected over a ten year period, unless a shorter period is appropriate to the circumstances of a particular CGU. The cash flows are discounted using appropriate risk adjusted discount rates averaging 15% (2006 15%) reflecting the risk associated with the individual future cash flows and the risk free rate.

The CGUs within the Capespan business are reflective of the customer and product sales streams. The goodwill on the balance sheet is derived from the purchase of a two site business from Fyffes plc in 2001 (CGUs A and B).

The intangible asset arose on the purchase of certain assets and future business of Fresh Produce Services Limited from The Greenery in February 2006.

Capespan International Plc

Notes (continued)

11 Goodwill and intangible assets (continued)

The cashflows in relation to the CGUs were projected and discounted as above. This resulted in a goodwill impairment in CGU B of £98,000, and an impairment in the value of the intangible asset of £59,000.

The total impairment for the year is therefore £157,000 and the goodwill and intangible assets remaining on the balance sheet at 30 December 2007 are as follows:

	Goodwill	2007 Intangible asset	Total	Goodwill	2006 Intangible asset	Total
	£'000	£'000	£'000	£'000	£'000	£'000
CGU A	77	-	77	77	-	77
CGU B	616	-	616	714	-	714
Customer relationship	-	231	231	-	290	290
	<u>693</u>	<u>231</u>	<u>924</u>	<u>791</u>	<u>290</u>	<u>1,081</u>

12 Investments in associates and subsidiaries

Share of associates undertaking's net assets under the gross equity method of accounting

Group	2007 £'000	2006 £'000
At beginning of the year	565	565
Share of joint venture's losses	(126)	-
	<u>439</u>	<u>565</u>
At end of the year	439	565

The group's share of the joint venture undertaking's retained earnings is £239,000 (2006: £365,000).

Capespan International Plc

Notes (continued)

12 Investments in associates and subsidiaries (continued)

Fresh Fruit Terminal (Sheerness) Limited

At 30 December 2007, the group's investment in joint ventures relates to Fresh Fruit Terminal (Sheerness) Limited. On 6 August 2007, the operating control of Fresh Fruit Terminal (Sheerness) Limited reverted to Capespan Limited. The group continues to own 50% of Fresh Fruit Terminal (Sheerness) Limited with both joint venture parties sharing equally in the profits or losses of the joint venture, and both parties having equal representation on the Board. On 1 January 2009, Capespan Limited will buy out the Peel Ports shareholding in the company by paying for 50% of the net assets at the 2008 balance sheet date. The entity will therefore be a 100% subsidiary and will be fully consolidated in the 2009 financial statements. In the opinion of the directors, the shares in the above unlisted company are worth at least the amount at which they are stated in the balance sheet.

Company

Shares in subsidiaries	2007 £'000	2006 £'000
Cost		
At beginning of year	7,034	7,034
Capital injection	-	-
Disposals	-	-
	<hr/>	<hr/>
At end of year	7,034	7,034
	<hr/>	<hr/>

The Company has the following principal investment entities

	Shareholding %	Type	Incorporated and trading in
Capespan Foods Limited	100	Subsidiary	Great Britain
Capespan Continent (North) NV	100	Subsidiary	Belgium
Capespan Limited	100	Subsidiary	Great Britain
Capespan Investments (UK) Limited	100	Subsidiary	Great Britain
CS Italia srl	100	Subsidiary	Italy
Held by Capespan Limited			
Fresh Fruit Terminal (Sheerness) Limited	50	Joint venture	Great Britain

Capespan International Plc

Notes (continued)

12 Investments in associates and subsidiaries (continued)

	Shareholding %	Type	Incorporated and trading in
Held by Capespan Continent (North) NV			
Fresh Fruit Services Continent CVBA	100	Subsidiary	Belgium
Capespan International (Deutschland) GmbH	100	Subsidiary	Germany
Held by Fresh Fruit Services Continent CVBA			
Capespan Austria GmbH	100	Subsidiary	Austria
Capespan France SA	100	Subsidiary	France
Held by Capespan International (Deutschland) GmbH (holding company)			
H Olf & Sohn GmbH	100	Subsidiary	Germany

All principal subsidiaries and joint venture undertakings provide marketing, selling and distribution services in relation to the fruit trade and allied products

All the above undertakings have financial years ended on 30 December 2007

In the opinion of the directors the shares in the company's subsidiaries and joint ventures are worth at least the amounts at which they are stated in the balance sheet

In November 2006, the group sold 90% of UJuice Limited (formerly Outspan Fresh Limited) to the management team of UJuice Limited as part of a management buyout for £31,500 (deferred to 2008), realising a profit on disposal of £18,000. The remaining 10% shareholding is shown as an equity investment (Note 13)

As part of this transaction, Capespan Limited was granted £75,000 preference shares in UJuice Limited. £20,000 of preference shares were redeemed during 2006. The remaining balance of £55,000 is shown within current other receivables (Note 15) and is redeemable in instalments between 31 August 2008 and 30 December 2008.

Capespan International Plc

Notes (continued)

13 Equity investments	2007 £'000	2006 £'000
Balance at beginning of year	9	9
Additions	-	-
	<hr/>	<hr/>
Balance at end of year	9	9
	<hr/>	<hr/>

The equity investment comprises £3,500 representing a 10% investment in the ordinary shares of UJuice Limited (formerly Outspan Fresh Limited) following its sale to a management buyout team (Note 12) and £6,000 of other debt securities in respect of Capespan France

14 Acquisitions

There were no acquisitions in 2007

In February 2006, Capespan Limited acquired the net assets and future business of Fresh Produce Services Limited for a consideration of £59,000. The value attributed to customer relationships acquired, included in intangible assets, amounted to £290,000

	Carrying amount of net assets at fair value 2006 £'000
Property, plant and equipment (Note 10)	158
Intangible assets	
- customer relationships (Note 11)	290
Inventories	59
Debtors	2
Provisions	
- dilapidations on leased property (Note 22)	(161)
other (Note 22)	(289)
	<hr/>
Net identifiable assets and liabilities	59
	<hr/>
Consideration	
Cash	59
	<hr/>

Capespan International Plc

Notes (continued)

14 Acquisitions (continued)

There were no fair value adjustments required to the book value of the net assets acquired for business combinations completed during the year. The initial assignment of fair values to identifiable net assets acquired was performed on a provisional basis. Any amendments to these fair values within the twelve month timeframe from the date of acquisition will be disclosable in the 2007 financial statements as stipulated by IFRS 3, *Business combinations*.

15 Trade and other receivables

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Current				
Trade receivables	16,679	12,778	1	1
Amounts owed by group undertakings	1,876	1,645	443	1,386
VAT receivable	-	200	-	-
Other receivables	2,624	1,552	15	11
Redeemable preference shares	55	55	-	-
Prepayments and accrued income	3,977	2,480	3	-
	<u>25,211</u>	<u>18,710</u>	<u>462</u>	<u>1,398</u>

The current redeemable preference shares of £55,000 represent the balance of the £75,000 preference shares granted to Capespan Limited on the sale of 90% of its interest in the ordinary share capital of UJuice Limited (formerly Outspan Fresh Limited) in 2005. These were redeemable during 2007, but the debt was rescheduled during 2007 and they are redeemable at the end of 2008. The other current receivable includes an amount of £31,500 which represents an advance to the management team of UJuice Limited, a former wholly owned subsidiary of Capespan International Plc. The advance was used to fund a management buy out of 90% of the shares in UJuice Limited. This was to be settled in December 2007, but was also rescheduled during 2007 to be payable in December 2008.

The amounts owed by group undertakings include both trading and loan balances. Trading balances are unsecured and interest free, loan balances have interest payable at a market rate of interest.

Capespan International Plc

Notes (continued)

16 Current tax

The net current tax liability of £817,000 for the group (company liability £122,000) represents the amount of income tax payable in respect of current and prior periods

17 Inventories	2007 £'000	2006 £'000
Goods for resale	1,323	1,825
Consumable stores	229	186
	<hr/>	<hr/>
	1,552	2,011
	<hr/>	<hr/>

18 Cash and cash equivalents and short term bank deposits

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank balances (demand balances)	6,430	6,405	936	1,975
Call deposits	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents – balance sheet	6,430	6,405	936	1,975
Bank overdrafts	(1,738)	(4,523)	(1,056)	(1,822)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents – cash flow statement	4,692	1,882	(120)	153
	<hr/>	<hr/>	<hr/>	<hr/>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group

Capespan International Plc

Notes (continued)

19 Share capital	2007 £'000	2006 £'000
<i>Authorised</i>		
4,997,000 ordinary voting shares of £1 each	4,997	4,997
1,000 non-voting B ordinary shares of £1 each	1	1
1,000 non-voting C ordinary shares of £1 each	1	1
1,000 non-voting D ordinary shares of £1 each	1	1
	<hr/>	<hr/>
Total authorised share capital	5,000	5,000
	<hr/>	<hr/>
	2007 £'000	2006 £'000
<i>Called up, allotted and fully paid</i>		
3,450,000 ordinary voting shares of £1 each	3,450	3,450
1,000 non-voting B ordinary shares of £1 each	1	1
1,000 non-voting C ordinary shares of £1 each	1	1
	<hr/>	<hr/>
Total called up, allotted and fully paid share capital	3,452	3,452
	<hr/>	<hr/>

The non-voting B, C and D shares are entitled to a dividend but in the event of the company being wound up they rank behind the voting ordinary shareholders in proceeds from the final liquidation. The B, C and D non-voting shares rank pari passu.

Capespan International Plc

Notes (continued)

20 Capital and reserves

Capital and reserves					
Group	Share Capital £'000	Capital contribution £'000	Currency translation reserve £'000	Retained earnings £'000	Total capital and reserves £'000
Balance at 2 January 2006	3,452	4,300	(17)	(7,130)	605
Total recognised gains and losses for the year	-	-	(59)	2,091	2,032
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	3,452	4,300	(76)	(5,039)	2,637
Total recognised gains and losses for the year	-	-	166	2,333	2,499
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 December 2007	3,452	4,300	90	(2,706)	5,136
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Company		Share Capital £'000	Capital contribution £'000	Retained earnings £'000	Total capital and reserves £'000
Balance at 2 January 2006		3,452	4,300	(2,848)	4,904
Total recognised gains and losses for the year		-	-	649	649
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006		3,452	4,300	(2,199)	5,553
Total recognised gains and losses for the year		-	-	299	299
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 December 2007		3,452	4,300	(1,900)	5,852
		<hr/>	<hr/>	<hr/>	<hr/>

Capespan International Plc

Notes (continued)

20 Capital and reserves (continued)

Capital contribution

This reserve represents the receipt of capital funding from the company's parent undertakings

Currency translation reserve

The translation reserve comprises all foreign exchange movements arising from the translation of the net assets of the Group's non-sterling denominated subsidiaries and associates including the translation of the profits of such operations from the average exchange rate to the exchange rate at the balance sheet date, as well as from the translation of liabilities that hedge those net assets

21 Trade and other payables falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Current				
Trade payables	6,661	4,760	5	8
Amounts owed to group undertakings	4,219	2,997	1,507	2,723
Other taxes and social security	220	140	-	-
Other payables	231	1,281	8	14
Accruals and deferred income	16,871	13,553	67	26
	<u>28,202</u>	<u>22,731</u>	<u>1,587</u>	<u>2,771</u>

The amounts due to ultimate parent undertakings include both trading and loan balances. Trading balances are unsecured and interest free and loan balances have interest payable at a market rate of interest.

Capespan International Plc

Notes (continued)

22 Provisions	Legal costs £'000	Restructuring £'000	Onerous lease £'000	Termination payments £'000	Liability claim £'000	Total £'000
At 31 December 2006	83	197	159	147	10	596
Expenditure in year	(5)	(46)	-	(117)	-	(168)
Charged/(credited) to the income statement	(28)	(91)	8	(30)	(10)	(151)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 December 2007	50	60	167	-	-	277
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company			Legal costs £'000	Restructuring £'000	Liability claim £'000	Total £'000
As at 31 December 2006			83	171	10	264
Expenditure in year			(5)	(42)	-	(47)
Charged/(credited) to the income statement			(28)	(73)	(10)	(111)
			<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 December 2007			50	56	-	106
			<u> </u>	<u> </u>	<u> </u>	<u> </u>

Legal provision

The legal provision relates to legal and professional costs to be incurred in relation to the final closure of the Unifruco pension scheme

Restructuring provision

The restructuring provision relates to the closure of the European Head office and cost saving initiatives in the UK business through centralisation of its operations. The balance carried forward into 2008 allows the restructure to be completed

Capespan International Plc

Notes (continued)

22 Provisions (continued)

Onerous Lease

This provision relates to the acquisition of the business of Fresh Produce Services Limited by Capespan Limited (Note 14) in 2006. £167,000 relates to delapidations on the leased building, due to be paid in 2010. The building has been surveyed, the costs estimated and the costs discounted back to present value.

23 Deferred taxation – Group	2007 £'000	2006 £'000
Depreciation in excess of capital allowances	193	3
On pension provisions	360	296
Other timing differences	81	273
	<hr/>	<hr/>
Net deferred tax asset recognised	634	572
	<hr/>	<hr/>

The following deferred tax asset relating to the UK companies was not recognised in the financial statements

	2007 £'000	2006 £'000
Accelerated capital allowances	617	995
Losses	35	915
Other timing differences	-	46
	<hr/>	<hr/>
Deferred tax asset not recognised	652	1,956
	<hr/>	<hr/>
Deferred taxation – Company	2007 £'000	2006 £'000
On pension provisions – (liability)/asset	(3)	(13)
Other timing differences	286	12
	<hr/>	<hr/>
	283	(1)
	<hr/>	<hr/>

Capespan International Plc

Notes (continued)

24 Lease obligations - Group

The Group has no obligations under finance leases

Leases as lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements

	2007 £'000	2006 £'000
Less than one year	625	559
Between one and five years	401	483
	<hr/>	<hr/>
	1,026	1,042
	<hr/>	<hr/>

The group leases its office buildings, packhouse land, its car fleet and some plant and equipment under operating leases. The lease on the Sheerness building expires in 2018, but is subject to a breakout clause every 5 years, and is next up for review in 2013.

During the year ended 30 December 2007, £430,000 was recognised as an expense in the income statement in respect of operating leases (2006 £694,000)

25 Pensions schemes – Group

The Group operates a number of externally funded defined benefit and defined contribution pension schemes across Europe. The schemes are set up under trusts and the assets of the schemes are therefore held separately from those of the Group.

The net pension cost recognised in the income statement for the year in respect of the Group's defined benefit schemes was £222,000 (2006 £115,000). The cost recognised in the income statement in respect of the Group's defined contribution schemes was £586,000 (2006 £518,000).

Capespan International Plc

Notes *(continued)*

25 Pensions schemes – Group *(continued)*

The accompanying disclosures relate to all of the Group's defined benefit retirement schemes in the UK and Continental Europe the Unifruco Pension and Life Assurance Scheme (Unifruco), the South African Co-operative Citrus Exchange Limited pension and life assurance scheme (SACCE), and the Capespan Continent NV en Fresh Fruit Services CV plan In addition, the group has a pension scheme in Germany called the H Olff & Sohn GmbH pension scheme The previous full actuarial valuations of these schemes, for the purposes of these disclosures, were updated to 1 January 2007 Full actuarial valuations were carried out on 1 October 2003 for the Unifruco scheme, 1 February 2007 for the SACCE scheme, and 30 December 2007 for the Continental schemes All calculations were carried out by independent actuaries using the projected unit method The actuarial reports are not available for public inspection However, the results of the valuations are advised to members of the schemes The scheme assets do not include any shareholdings in the company

In 2006, the membership of the Unifruco scheme over the year reduced to zero Three members' benefits were bought out with deferred annuities contracts, whilst the remaining two members transferred out on "enhanced" transfer terms However, the transfer value of the members' benefits under these enhanced terms was lower than the reserve held on an accounting basis This led to a settlement gain During 2006, £231,547 was paid out of the Scheme assets in respect of members transferring out of the Scheme, causing a drop in the scheme assets There was a payment of £45,000 paid into the scheme by Capespan International Plc to cover the enhancement of the transfer values mentioned above

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

The principal assumptions used by the actuaries were

	Unifruco		SACCE		Capespan Continent NV en Fresh Fruit Services CV		H. Olf & Sohn GMBH	
	2007	2006	2007	2006	2007	2006	2007	2006
Rate of increase in salaries	4.50%	4.50%	4.50%	4.50%	3.00%	3.00%	3.5%	3.00%
Rate of increase in pensions	3.40%	3.25%	5.50%	5.50%	2.00%	2.00%	1.75%	1.70%
Inflation rate	3.20%	3.00%	3.20%	3.00%	2.00%	2.00%	1.75%	1.70%
Discount rate	5.80%	5.10%	5.80%	5.10%	5.50%	4.25%	5.5%	4.30%
Pre-retirement mortality	AM92/ PMA92	AM92/ PMA92	AM92/ PMA92	AM92/ PMA92	AF92 MR/FR	AF92 MR/FR	AF92 Richttafeln 2005 G	AF80 Richttafeln 2005 G
Post retirement mortality	C2020/ PFA92 C2020	C2020/ PFA92 C2020	C2020/ PFA92 C2020	C2020/ PFA92 C2020				

The expected rates of return and analysis of pension scheme assets at 30 December 2007 were:

	5.5%	5.0%	5.66%	5.29%	5.00%	4.25%	4.30%
Return on assets							
Equity	-	-	£6,802,461	£6,251,057	£105,975	£89,000	*
Bonds	-	-	£7,958,254	£8,479,014	£711,060	£598,000	*
Real estate	-	-	-	-	£29,912	£25,000	*
Insured policies	-	-	£1,047,173	£1,117,872	-	-	*
Cash	£8,000	£11,000	(£7,923)	£19,690	£7,692	£6,000	*

* Analysis of pension scheme assets was not available from the pension scheme actuaries

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

Analysis of net asset / (liability)

	Unifruco		SACCE		Capespan Continent NV en Fresh Fruit Services CV		H. Olff & Sohn GMBH		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Fair value of scheme assets	8	11	15,800	15,868	855	718	1,466	1,262	18,129	17,859
Present value of scheme obligations	-	(3)	(13,524)	(14,826)	(1,043)	(1,037)	(1,435)	(1,470)	(16,002)	(17,336)
Employee benefits asset/(liability)	8	8	2,276	1,042	(188)	(319)	31	(208)	2,127	523
Adjustment in respect of surplus restriction	-	-	(2,276)	(1,004)	-	-	-	-	(2,276)	(1,004)
Net asset/(liability)	8	8	-	38	(188)	(319)	31	(208)	(149)	(481)
Deferred tax (liability)/asset	(2)	(2)	-	(11)	64	108	83	201	145	296
Net asset/(liability)	6	6	-	27	(124)	(211)	114	(7)	(4)	(185)

The H Olff & Sohn GmbH assets are represented by a reinsurance policy No deferred tax liability is provided against these assets as tax is paid on the movement in the fund annually

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

Movements in the fair value of scheme assets in the balance sheet

	Unifruco £'000	SACCE £'000	Capespan Continent NV en Fresh Fruit Services CV £'000	H. Olff & Sohn GMBH £'000	Total £'000
Fair value of assets at 1 January 2006	289	15,739	663	1,232	17,923
Expected return on scheme assets	4	798	30	58	890
Actuarial gain/(loss)	7	(177)	(20)	-	(190)
Employer contributions	45	-	75	-	120
Employee contributions	-	1	14	-	15
Insured pension contribution	-	187	-	-	187
Benefit payments	(334)	(680)	(28)	-	(1,042)
Foreign exchange movements	-	-	(16)	(28)	(44)
Fair value of assets at 1 January 2007	11	15,868	718	1,262	17,859
Expected return on scheme assets	1	823	31	78	933
Actuarial gain/(loss)	(2)	(289)	-	-	(291)
Employer contributions	-	-	71	38	109
Employee contributions	-	-	12	-	12
Insured pension contribution	-	175	-	-	175
Benefit payments	(2)	(777)	(75)	-	(854)
Premium funding	-	-	23	-	23
Foreign exchange movements	-	-	75	88	163
Fair value of assets at 30 December 2007	8	15,800	855	1,466	18,129

The H. Olff & Sohn assets are represented by a reinsurance policy and are disclosed separately in employee post retirement benefits under non current assets on the group balance sheet

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

Movements in the present value of scheme obligations in the balance sheet

	Unifruco £'000	SACCE £'000	Capespan Continent NV en Fresh Fruit Services CV £'000	H. Olff & Sohn GMBH £'000	Total £'000
Value of scheme obligations at 1 January 2006	(317)	(14,964)	(959)	(1,491)	(17,731)
Current service cost	-	(14)	(88)	(35)	(137)
Interest on scheme obligations	(3)	(711)	(41)	(63)	(818)
Employee contributions	-	(1)	(14)	38	23
Benefit payments	335	680	28	-	1,043
Gain on settlement	22	-	-	-	22
Effect of changes in actuarial assumptions	(40)	184	13	48	205
Foreign exchange movements	-	-	24	33	57
Value of scheme obligations at 1 January 2007	(3)	(14,826)	(1,037)	(1,470)	(17,336)
Current service cost	-	-	(107)	(32)	(139)
Interest on scheme obligations	-	(756)	(45)	(63)	(864)
Employee contributions	-	-	(12)	-	(12)
Benefit payments	2	777	75	-	854
Effect of changes in actuarial assumptions	-	1,195	105	230	1,530
Experience gains/(losses)	1	86	-	(10)	77
Foreign exchange movements	-	-	(22)	(89)	(111)
Value of scheme obligations at 30 December 2007	-	(13,524)	(1,043)	(1,434)	(16,001)

The H Olff & Sohn scheme obligations are disclosed in employee post retirement benefits under non current liabilities on the group balance sheet

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

Movements in the net asset/(liability) recognised in the balance sheet

	Unifruco £'000	SACCE £'000	Capespan Continent NV en Fresh Fruit Services CV £'000	H. Olff & Sohn GMBH £'000	Total £'000
Net asset/(liability) in schemes at 1 January 2006	(28)	56*	(296)	(259)	(527)
Employer contributions	45	-	75	38	158
Income/(expense) recognised in income statement	24	-	(99)	(41)	(116)
Income/(expense) recognised in statement of total recognised income and expense	(33)	(18)	(7)	48	(10)
Foreign exchange movement	-	-	8	6	14
Net asset/(liability) in schemes at 1 January 2007	8	38*	(319)	(208)	(481)
Employer contributions	-	-	71	38	109
Income/(expense) recognised in income statement	1	67	(121)	(17)	(70)
Expense recognised in statement of total recognised income and expense	(1)	(105)	106	220	220
Foreign exchange movement	-	-	75	(2)	73
Net asset/(liability) in schemes at 30 December 2007	8	-	(188)	31	(149)

* Amount has been restricted to the recognisable surplus of £m1 at 30 December 2007 (2006 £38,000)

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

Defined benefit pension expenses recognised in statement of recognised income and expense

	Unifruco		SACCE		Capespan Continent NV en Fresh Fruit Services CV		H. Olff & Sohn GMBH		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Experience adjustments on scheme assets	1	(39)	86	(327)	-	-	-	-	87	(366)
Experience adjustments on scheme liabilities	-	-	-	-	-	-	(10)	-	(10)	-
Adjustments in respect of unrecognisable surplus	-	-	(1,098)	(25)	-	-	-	-	(1,098)	(25)
Effects of changes in actuarial assumptions	-	-	1,195	511	106	(7)	230	48	1,531	552
Actual less expected returns on assets	(2)	6	(288)	(177)	-	-	-	-	(290)	(171)
Exchange movements	-	-	-	-	-	-	-	-	-	-
	(1)	(33)	(105)	(18)	106	(7)	220	48	220	(10)

Capespan International Plc

Notes (continued)

25 Pensions schemes – Group (continued)

Defined benefit pension expense recognised in the income statement

	Capespan									
	Unifruco		SACCE		Continent NV en Fresh Fruit Services CV		H. Olf & Sohn GMBH		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current service costs	-	-	-	(14)	(107)	(88)	(32)	(35)	(139)	(137)
Interest on scheme obligations	-	(3)	(756)	(711)	(45)	(41)	(63)	(63)	(864)	(818)
Expected return on schemes assets	1	5	823	725	31	30	78	58	933	818
Gain on settlement	-	22	-	-	-	-	-	-	-	22
	1	24	67	-	(121)	(99)	(17)	(40)	(70)	(115)
Actual return on scheme assets	(1)	12	535	620	45	10	-	58	1,279	700

The expected return on the SACCE scheme assets has been restricted so as not to give a negative pension charge

The H Olf & Sohn assets are represented by a reinsurance policy

The defined benefit pension expense is recognised in administrative expenses in the income statement in both the current and prior years

Capespan International Plc

Notes (continued)

26 Commitments and contingencies

(a) Capital commitments

The directors have authorised capital expenditure of £163,000 (2006 £237,000) at the balance sheet date

(b) Other commitments and contingencies

Capespan International Plc, Capespan Limited, Capespan UK Limited and Capespan International Holdings Limited have a combined overdraft facility with the Royal Bank of Scotland Plc. The facility is secured by an unlimited intercompany composite guarantee between Capespan International Plc, Capespan International Holdings Limited, Capespan Investments (UK) Limited, Capespan UK Limited, Capespan Investments Limited, Fresh Fruit Processing Limited and Fresh Fruit Services Limited. This is supported by a debenture by Capespan International Plc, Capespan International Holdings Limited, Capespan Investments (UK) Limited, Capespan UK Limited and Fresh Fruit Processing Limited.

The facility is also secured by

- A letter of comfort in the sum of £400,000 from Capespan International Plc in favour of Fresh Fruit Terminal (Sheerness) Limited
- An unlimited Cross Guarantee between Capespan International Plc and Fresh Fruit Terminal (Sheerness) Limited supported by a debenture by Fresh Fruit Terminal (Sheerness) Limited and Capespan International Plc

From time to time, the group is involved in other claims and legal actions, which arise in the normal course of business. Based on information currently available to the group, and legal advice, the directors believe such litigation will not, individually or in aggregate, have a material adverse effect on the financial statements and that the group is adequately positioned to deal with the outcome of any such litigation.

27 Related parties

Identity of related parties

The group has a related party relationship with its ultimate parent companies (Total Produce Plc and Capespan Group Holdings Limited and their subsidiary and associated companies), its associated companies, its defined benefit pension schemes, and with the directors of the company and subsidiaries.

Transactions with directors

NK Dockar, who was company secretary until 7 February 2006, is part of the management team that acquired UJuice Limited (formerly Outspan Fresh Limited) in 2005. The consideration for this has been deferred until December 2008. The deferred consideration of £31,500 is reflected in other receivables (Note 15).

Capespan International Plc

Notes (continued)

27 Related parties (continued)

Group	2007 £'000	2006 £'000
Payments to Key Management Personnel		
Short term employee benefits	590	506
Post-employment benefits	50	43
	<hr/>	<hr/>
	640	549
	<hr/>	<hr/>

Related party transactions with associated companies

The group trades in the normal course of its business, in some situations under long term supply contracts, with its associated companies. A summary of transactions with these related parties during the year ended 30 December 2007 is as follows -

	2007 Revenue £'000	2007 Purchases £'000	2006 Revenue £'000	2006 Purchases £'000
Ultimate parent	9,203	117,459	14,275	114,817
Associate companies	351	1,667	66	283
	<hr/>	<hr/>	<hr/>	<hr/>
	9,554	119,126	14,341	115,100
	<hr/>	<hr/>	<hr/>	<hr/>
	2007 Debtor £'000	2007 Creditor £'000	2006 Debtor £'000	2006 Creditor £'000
Ultimate parent	1,728	(3,716)	1,134	(2,832)
Associate companies	148	(503)	511	(165)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,876	(4,219)	1,645	(2,997)
	<hr/>	<hr/>	<hr/>	<hr/>

Ultimate parent includes their subsidiary and associated companies

Capespan International plc

Notes *(continued)*

28 Ultimate parent undertakings

Capespan International Plc is wholly owned by Capespan International Holdings Limited which in turn is jointly owned by Capespan (Pty) Limited, incorporated in South Africa, and by Total Produce Plc, registered in Ireland

Capespan (Pty) Limited is wholly owned by Capespan Group Holdings Limited, incorporated in South Africa. In 2006, the Fyffes Plc Group demerged to form two separate businesses – Fyffes Plc and Total Produce Plc. The shareholding in Capespan International Holdings Limited is held by Total Produce Plc.

Accounts of the joint ultimate parent undertakings are available from

The Secretary, Capespan Group Holdings Limited, Parc du Cap, Bellville 7535, Republic of South Africa

The Secretary, Total Produce Plc, Charles McCann Building, Rampart Road, Dundalk, Co Louth, Ireland

Capespan International plc

Notes (continued)

29 Financial instruments and financial risk

	Designated at fair value 2007 £'000	Loans and receivables 2007 £'000	Available for sale 2007 £'000	Total liabilities at amortised cost 2007 £'000	Carrying amount 2007 £'000	Fair value 2007 £'000
Equity investments (note 13)	-	-	9	-	9	9
Trade and other receivables (note 15)	-	25,211	-	-	25,211	25,211
Cash and cash equivalents (note 18)	-	6,430	-	-	6,430	6,430
	-	31,641	9	-	31,650	31,650
Trade and other payables (note 21)	-	-	-	(28,202)	(28,202)	(28,202)
Bank overdrafts (note 18)	-	-	-	(1,738)	(1,738)	(1,738)
	-	-	-	(29,940)	(29,940)	(29,940)

Capespan International plc

Notes (continued)

29 Financial instruments and financial risk (continued)

	Designated at fair value 2006 £'000	Loans and receivables 2006 £'000	Available for sale 2006 £'000	Total liabilities at amortised cost 2006 £'000	Carrying amount 2006 £'000	Fair value 2006 £'000
Equity investments (note 13)	-	-	9	-	9	9
Trade and other receivables (note 15)	-	18,710	-	8,710	18,710	18,710
Cash and cash equivalents (note 18)	-	6,405	-	-	6,405	6,405
	-	25,115	9	8,710	25,124	25,124
Trade and other payables (note 21)	-	-	-	(22,731)	(22,731)	(22,731)
Bank overdrafts (note 18)	-	-	-	(4,523)	(4,523)	(4,523)
	-	-	-	(27,254)	(27,254)	(27,254)

Capespan International plc

Notes (*continued*)

29 Financial instruments and financial risk (*continued*)

Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding table

Equity investments

When market values are available, fair values are determined by reference to the bid market price for such investments without any deduction for transactions costs. When market values are not available, the fair values have been determined based on expected future cash flows at current interest rates and exchange rates.

Short term bank deposits and cash and cash equivalents

For short term bank deposits and cash and cash equivalents, all of which have a remaining maturity of less than three months, the nominal amount is deemed to reflect fair value.

Trade and other receivables/payables

For receivables and payables with a remaining life of less than six months or demand balances, the carrying value less impairment provision, where appropriate is deemed to reflect fair value. All other receivables and payables are discounted to fair value in the balance sheet.

Interest bearing loans and borrowings

For interest bearing loans and borrowings with a contractual repricing date of less than six months, the nominal amount is deemed to reflect fair value. For loans with a repricing date of greater than six months, the fair value is calculated based on the present value of the expected future principal and interest cash flows.

Capespan International plc

Notes *(continued)*

29 Financial instruments and financial risk *(continued)*

Risk exposures

The Group's multinational operations expose it to various financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. The Group has a risk management program in place which seeks to limit the impact of these risks on the financial performance of the Group and it is the policy to manage these risks in a non-speculative manner.

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- currency risk
- interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Groups' objectives, policies and processes for measuring and managing the risk, and the Groups' management of capital. Further quantitative disclosures are included throughout this note.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Executive Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The members of this committee include the Group Finance Director, the Head of Internal Audit, the Company Secretary and number of other senior personnel. Risk evaluation and recommendations for strategic change are reviewed by the Executive Risk Committee who report their findings to the Audit Committee for its consideration. The Audit Committee, in turn, report these findings to the Board at least annually enabling corrective initiatives to be undertaken where appropriate.

The Group has established a strong internal audit function under the direction of the Audit Committee. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Board, through its Audit and Executive Risk Committees, has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The board has embedded these structures and procedures throughout the group and considers these to be robust and efficient mechanism for creating a culture of risk awareness at every level of management.

Capespan International plc

Notes (continued)

29 Financial instruments and financial risk (continued)

Credit risk

Exposure to credit risk

Credit risk arises from credit risk to customers and joint ventures arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers or geographically.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Individual risk limits are generally set by customer and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored. The impairment provisions accounts are used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off directly against the trade receivable.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Cash and short term bank deposits

Cash and short term bank deposits are invested with institutions with the highest credit rating with limits on amounts held with individual banks or institutions at any one time. For banks and financial institutions, only independently rated banks with a minimum rating of "A" are accepted.

Available for sale equity investments

The Group has investments in companies with a strategic interest to the Group and limits its exposure by ensuring that such investments are of a non speculative nature.

Capespan International plc

Notes (continued)

29 Financial instruments and financial risks (continued)

Credit risk (continued)

The carrying amount of financial assets, net of impairment provisions, represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

	<i>Note</i>	Carrying amount 2007 £'000	Carrying amount 2006 £'000
Equity investments	13	9	9
Cash and cash equivalents	18	6,430	6,405
Trade and other receivables (excluding prepayments)	15	19,303	14,530
		<hr/>	<hr/>
		25,742	20,944
		<hr/>	<hr/>

Trade receivables

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables. Trade receivables are monitored by geographic region and by largest customers. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region based on the location of customers was:

	Carrying amount 2007 £'000	Carrying amount 2006 £'000
Euro - zone	6,601	3,852
United Kingdom	8,300	8,294
Other	1,778	926
	<hr/>	<hr/>
	16,979	13,072
	<hr/>	<hr/>

Capespan International plc

Notes (continued)

29 Financial instruments and financial risk (continued)

Credit risk (continued)

The following table details the ageing of gross trade receivables including equivalent amounts due from joint ventures, and the related impairment provisions in respect of specific amounts expected to be irrecoverable

	2007 Gross £'000	2007 Impairment £'000	2006 Gross £'000	2006 Impairment £'000
Not past due	14,750	32	11,733	99
Past due 0 – 30 days	1,714	35	986	54
Past due 31 – 90 days	334	130	243	99
Past due 91 – 180 days	128	89	78	43
Past due more than 180 days	53	9	32	-
	<u>16,979</u>	<u>295</u>	<u>13,072</u>	<u>295</u>

Other receivables

As all other receivables are current, all amounts are deemed to be recoverable

Non trade receivables due from joint ventures

At year end the group has non trade receivable balances due from its joint ventures of £142,000 (2006 £94,000) These amounts are repayable on demand and are not past due There is no impairment provision against these balances

Analysis of movement in impairment provisions

Trade receivables – impairment provision

	2007 £'000	2006 £'000
Balance at beginning of year	(295)	(305)
Utilised during year	112	33
(Increase) during year	(112)	(23)
	<u>(295)</u>	<u>(295)</u>

No impairment provision is deemed necessary against other receivables in either the current or prior year

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Notes (continued)

29 Financial instruments and financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

It is the policy of the group to have adequate committed undrawn facilities available at all times to cover unanticipated financing requirements. The group has approved overdrafts of up to £2 million and €12 million.

The following are the contractual maturities of the financial liabilities and cash and cash equivalents, including estimated interest payments and excluding the impact of netting agreements:

	2007 Carrying Amount £'000	2007 6 months or less £'000	2006 Carrying Amount £'000	2006 6 months or less £'000
Non-derivative financial liabilities				
Bank overdraft	1,738	1,738	4,523	4,523
Trade and other payables	<u>28,202</u>	<u>28,202</u>	<u>22,731</u>	<u>22,731</u>
	<u>29,940</u>	<u>29,940</u>	<u>27,254</u>	<u>27,254</u>

Market Risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates, and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's risk management strategy is to manage and control market risk exposures within acceptable parameters, while optimising the return earned by the Group. The group has three types of market risk being currency risk and interest rate risk each of which are dealt with as follows:

Currency risk

While many of the Group's operations are carried out in the UK, it also has significant operations in Europe and a significant portion of its costs, particularly product purchases and shipping costs are denominated in Euros and US Dollars. As a result, the Group is exposed to currency fluctuations of the Euro and US Dollar. Foreign exchange risk also arises from assets and liabilities. Management requires all Group operations to manage their foreign exchange risk against their functional currency. These currency risks are monitored on a daily basis and managed by utilising spot and forward foreign currency contracts.

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Notes (continued)

Exposure to currency risk

The Group's exposure to transactional foreign currency risk is minimal, due to the fact that an insignificant amount of trade receivables are held in currency other than the company's own functional currency. The split below details the sterling receivable and payables, of the sterling companies, with minimal amounts from the euro denominated companies. The euro receivable and payables relate to the Euro companies. Therefore the majority of amounts, held in own functional currencies are not exposed to transactional risk.

	2007 Euro £'000	2007 Sterling £'000	2007 US Dollar £'000	2006 Euro £'000	2006 Sterling £'000	2006 US Dollar £'000
Trade and other receivables	14,602	9,808	746	4,778	8,297	-
Cash and cash equivalents	6,319	109	2	3,781	2,624	-
Bank overdrafts	(1,056)	(682)	-	(1,822)	(2,701)	-
Trade and other payables	(17,837)	(10,166)	(137)	(10,449)	(12,282)	-

Sensitivity analysis

Based on the above table, a sensitivity analysis was not deemed necessary.

Interest rate risk

Due to the relatively modest amount of variable interest-bearing liabilities and the nature of certain of these borrowings, the Group's current policy is not to hedge against the risk of interest rate fluctuations.

There is no significant difference between the effective interest rates on the Group's loans and market rates.

The Group holds both interest bearing assets and interest bearing liabilities. In general, the approach employed by the group to manage its interest exposure is to maintain the majority of its cash, short term bank deposits and interest bearing borrowings on floating rates. The Group does not use fixed-rate instruments.

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Notes (continued)

29 Financial instruments and financial risk (continued)

At year-end, the interest rate profile of the Group's interest-bearing financial instruments was

	Carrying amount 2007 £'000	Carrying amount 2006 £'000
Variable rate instruments		
Cash and cash equivalents	6,430	6,405
Bank overdrafts	(1,738)	(4,523)
	<u>4,692</u>	<u>1,882</u>

Cash flow sensitivity analysis for variable rate instruments

At 30 December 2007, the average interest rate being earned on the Group's cash and cash equivalents was 3.92% (2006: 3.31%). At 30 December 2007, the average interest being paid on the Group's net borrowings was 5.06% (2006: 3.54%).

An increase or decrease of 50 basis points in interest rates at the reporting date would have had the following effect on the income statement and equity. This analysis assumes that all other variables in particular foreign currency rates remained constant. The analysis was performed on the same basis for 2006.

	50 basis point increase		50 basis point decrease	
	Income statement £'000	Equity £'000	Income statement £'000	Equity £'000
30 December 2007				
Variable rate instruments	8	-	(8)	-
31 December 2006				
Variable rate instruments	6	-	(6)	-

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Notes *(continued)*

30 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses

Management discussed with the Audit Committee the development, selection and disclosure of the group's critical accounting policies and estimates and the application of these policies and estimates

Particular areas which are subject to accounting estimates and judgements in these financial statements are areas such as impairment testing and in relation to judgemental provisions and accruals

Impairment testing of assets, particularly of goodwill, involves estimating the future cash flows for a cash generating unit and an appropriate discount rate to determine a recoverable value. The estimation of employee benefit costs requires the use of actuaries and the determination of appropriate assumptions such as discount rates and expected future rates of return as set out in Note 25

31 Board approval

The board of directors approved these financial statements on 16 October 2008