

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002
FOR
FARMERS FRESH LIMITED



FARMERS FRESH LIMITED

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FOR THE YEAR ENDED 31 MAY 2002

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FARMERS FRESH LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2002

DIRECTORS:	D T Owen S Morris T J Bayliss S A Wood G Jones J R Lloyd M J Gooding
SECRETARY:	D T Owen
REGISTERED OFFICE:	Davela Llanstephen Llyswen Brecon Powys LD3 0AJ
REGISTERED NUMBER:	03527447 (England and Wales) 3851239
AUDITORS:	Chancery Partnership Limited Chartered Accountants and Registered Auditor Chancery Pavilion Boycott Avenue Oldbrook Milton Keynes MK6 2TA
SOLICITORS:	Burges Salmon Narrow Quay House Narrow Quay Bristol BS1 4AH

FARMERS FRESH LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2002

The directors present their report with the financial statements of the company for the year ended 31 May 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an abattoir.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2002.

DIRECTORS

The directors during the year under review were:

D T Owen
S Morris
T J Bayliss
S A Wood
G Jones
J R Lloyd
M J Gooding

The directors holding office at 31 May 2002 did not hold any beneficial interest in the issued share capital of the company at 1 June 2001 or 31 May 2002.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

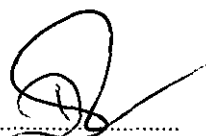
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

The auditors, Chancery Partnership Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
D T Owen - SECRETARY

Dated: 14/08/02

FARMERS FRESH LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
FARMERS FRESH LIMITED

We have audited the financial statements of Farmers Fresh Limited for the year ended 31 May 2002 on pages four to fourteen. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chancery Partnership Limited
Chartered Accountants and
Registered Auditor
Chancery Pavilion
Boycott Avenue
Oldbrook
Milton Keynes MK6 2TA

Chancery Partnership Limited

Dated: 14 August 2002

FARMERS FRESH LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2002

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
TURNOVER			16,104,666		14,825,074
Cost of sales			<u>13,037,219</u>		<u>12,293,550</u>
GROSS PROFIT			3,067,447		2,531,524
Distribution costs		540,843		664,766	
Administrative expenses		<u>2,140,937</u>		<u>2,194,302</u>	
			<u>2,681,780</u>		<u>2,859,068</u>
			385,667		(327,544)
Other operating income			<u>65,776</u>		<u>-</u>
OPERATING PROFIT/(LOSS)	3		451,443		(327,544)
Interest receivable and similar income			<u>2,091</u>		<u>335</u>
			453,534		(327,209)
Interest payable and similar charges	4		<u>8,991</u>		<u>5,304</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			444,543		(332,513)
Tax on profit/(loss) on ordinary activities	5		<u>88,490</u>		<u>(61,785)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			<u>356,053</u>		<u>(270,728)</u>
RETAINED PROFIT/(DEFICIT) FOR THE YEAR			<u><u>£356,053</u></u>		<u><u>£(270,728)</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year.

The notes form part of these financial statements

FARMERS FRESH LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MAY 2002

	<u>2002</u>	<u>2001</u>
	£	£
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	356,053	(270,728)
	<u> </u>	<u> </u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	356,053	(270,728)
Prior year adjustment	Note 6	
	<u>90,114</u>	<u>28,329</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>£446,167</u>	<u>£(242,399)</u>

The notes form part of these financial statements

FARMERS FRESH LIMITED**BALANCE SHEET****31 MAY 2002**

		<u>2002</u>		<u>2001</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		527,679		514,792
CURRENT ASSETS:					
Stocks	8	12,242		-	
Debtors	9	1,274,082		978,488	
Cash at bank		<u>179,907</u>		<u>88</u>	
		1,466,231		978,576	
CREDITORS:					
Amounts falling due within one year	10	<u>2,094,906</u>		<u>1,950,417</u>	
NET CURRENT LIABILITIES:			<u>(628,675)</u>		<u>(971,841)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>£(100,996)</u>		<u>£(457,049)</u>
CAPITAL AND RESERVES:					
Called up share capital	13		1		1
Profit and loss account	14		<u>(100,997)</u>		<u>(457,050)</u>
SHAREHOLDERS' FUNDS:	17		<u>£(100,996)</u>		<u>£(457,049)</u>

ON BEHALF OF THE BOARD:


D T Owen - DIRECTOR

Approved by the Board on: 14/08/02

The notes form part of these financial statements

FARMERS FRESH LIMITED**CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 MAY 2002

		<u>2002</u>	<u>2001</u>
	Notes	£	£
Net cash inflow from operating activities	1	361,104	107,974
Returns on investments and servicing of finance	2	(6,900)	(4,969)
Capital expenditure	2	(183,406)	(464,043)
Increase/(Decrease) in cash in the period		<u>£170,798</u>	<u>£(361,038)</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		<u>170,798</u>	<u>(361,038)</u>
Change in net debt resulting from cash flows		<u>170,798</u>	<u>(361,038)</u>
Movement in net debt in the period		170,798	(361,038)
Net debt at 1 June		<u>(413,233)</u>	<u>(52,195)</u>
Net debt at 31 May		<u>£(242,435)</u>	<u>£(413,233)</u>

The notes form part of these financial statements

FARMERS FRESH LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2002

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit/(loss)	451,443	(327,544)
Depreciation charges	170,519	133,208
Profit on disposal of fixed assets	-	(208)
(Increase)/Decrease in stocks	(12,242)	49,690
Increase in debtors	(384,084)	(334,081)
Increase in creditors	<u>135,468</u>	<u>586,909</u>
Net cash inflow from operating activities	<u><u>361,104</u></u>	<u><u>107,974</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	2,091	335
Interest paid	<u>(8,991)</u>	<u>(5,304)</u>
Net cash outflow for returns on investments and servicing of finance	<u><u>(6,900)</u></u>	<u><u>(4,969)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(183,406)	(465,930)
Sale of tangible fixed assets	<u>-</u>	<u>1,887</u>
Net cash outflow for capital expenditure	<u><u>(183,406)</u></u>	<u><u>(464,043)</u></u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/6/01 £	Cash flow £	At 31/5/02 £
Net cash:			
Cash at bank	88	179,819	179,907
Bank overdraft	<u>(413,321)</u>	<u>(9,021)</u>	<u>(422,342)</u>
	<u>(413,233)</u>	<u>170,798</u>	<u>(242,435)</u>
Total	<u><u>(413,233)</u></u>	<u><u>170,798</u></u>	<u><u>(242,435)</u></u>

The notes form part of these financial statements

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 20% on reducing balance
Plant and machinery	- 20% on reducing balance
Motor vehicles	- 20% on reducing balance
Computer equipment	- 33% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	916,568	961,275
Social security costs	86,956	93,931
	<u>1,003,524</u>	<u>1,055,206</u>

The average monthly number of employees during the year was as follows:

	2002	2001
Production	36	35
Administration	<u>6</u>	<u>7</u>
	<u>42</u>	<u>42</u>

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

3. **OPERATING PROFIT/(LOSS)**

The operating profit (2001 - operating loss) is stated after charging:

	2002	2001
	£	£
Hire of plant and machinery	10,611	14,895
Depreciation - owned assets	170,519	133,208
Profit on disposal of fixed assets	-	(208)
Auditors remuneration: audit work	<u>5,000</u>	<u>7,000</u>

Directors' emoluments	<u>4,231</u>	<u>-</u>
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4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	2002	2001
	£	£
Bank interest	<u>8,991</u>	<u>5,304</u>

5. **TAXATION**

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	2002	2001
	£	£
Current tax:		
Deferred tax:		
Accelerated capital allowances	5,048	(5,593)
Unrelieved tax losses	<u>83,442</u>	<u>(56,192)</u>
Total deferred tax	<u>88,490</u>	<u>(61,785)</u>

6. **PRIOR YEAR ADJUSTMENT**

The company has changed its accounting policy on accounting for deferred taxation due to the recent release of FRS 19 'Deferred taxation' The effect of this has been applied retrospectively and a prior year adjustment has therefore been effected.

FARMERS FRESH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002**

7. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £
COST:			
At 1 June 2001	117,777	475,698	19,293
Additions	<u>4,024</u>	<u>151,956</u>	<u>22,026</u>
At 31 May 2002	<u>121,801</u>	<u>627,654</u>	<u>41,319</u>
DEPRECIATION:			
At 1 June 2001	23,943	97,201	3,859
Charge for year	<u>24,360</u>	<u>125,531</u>	<u>8,264</u>
At 31 May 2002	<u>48,303</u>	<u>222,732</u>	<u>12,123</u>
NET BOOK VALUE:			
At 31 May 2002	<u>73,498</u>	<u>404,922</u>	<u>29,196</u>
At 31 May 2001	<u>93,834</u>	<u>378,497</u>	<u>15,434</u>

	Motor vehicles £	Computer equipment £	Totals £
COST:			
At 1 June 2001	10,500	27,831	651,099
Additions	<u>5,400</u>	<u>-</u>	<u>183,406</u>
At 31 May 2002	<u>15,900</u>	<u>27,831</u>	<u>834,505</u>
DEPRECIATION:			
At 1 June 2001	2,120	9,184	136,307
Charge for year	<u>3,180</u>	<u>9,184</u>	<u>170,519</u>
At 31 May 2002	<u>5,300</u>	<u>18,368</u>	<u>306,826</u>
NET BOOK VALUE:			
At 31 May 2002	<u>10,600</u>	<u>9,463</u>	<u>527,679</u>
At 31 May 2001	<u>8,380</u>	<u>18,647</u>	<u>514,792</u>

8. STOCKS

	2002 £	2001 £
Stocks	<u>12,242</u>	<u>-</u>

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

9. DEBTORS

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	1,243,708	832,938
Amounts due from Brindie Ltd	-	20,000
Prepayments	28,750	35,436
	<u>1,272,458</u>	<u>888,374</u>
Amounts falling due after more than one year:		
Deferred tax asset	<u>1,624</u>	<u>90,114</u>
Aggregate amounts	<u>1,274,082</u>	<u>978,488</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank loans and overdrafts (see note 11)	422,342	413,321
Trade creditors	596,523	412,906
Social security and other taxes	22,562	92,829
VAT	13,520	31,811
Amounts owed to Farmers First	947,780	704,233
Amounts owed to Farmers Ferry	-	209,677
Accruals and deferred income	92,179	85,640
	<u>2,094,906</u>	<u>1,950,417</u>

11. LOANS

An analysis of the maturity of loans is given below:

	2002 £	2001 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>422,342</u>	<u>413,321</u>

The bank overdraft is secured by a fixed and floating charge over the under taking and all property and assets both present and future.

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

12. PROVISION FOR LIABILITIES AND CHARGES

	Deferred tax £
Balance at 1 June 2001	(90,114)
Accelerated capital allowances	5,048
Unrelieved tax losses	<u>83,442</u>
Balance at 31 May 2002	<u>(1,624)</u>

13. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2002	2001
		£1	£	£
100	Ordinary		<u>100</u>	<u>100</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2002	2001
		£1	£	£
1	Ordinary		<u>1</u>	<u>1</u>

14. RESERVES

	Profit and loss account £
At 1 June 2001	(547,164)
Prior year adjustment	<u>90,114</u>
	(457,050)
Retained profit for the year	<u>356,053</u>
At 31 May 2002	<u>(100,997)</u>

15. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Farmers First Plc, a company incorporated in England.

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002

16. TRANSACTIONS WITH DIRECTORS

During the year the directors were paid the following amounts for management services and goods supplied:

Name	Goods sold
	£
T J Bayliss	52,864
S & A Wood/J & SA Wood (in which S A Wood is a partner)	372,806
L G Jones	27,266
Lloyd & Son	6,274
S Morris	9,279
D Owen	22,530

The company leases its premises from J & S A Wood at a rent of £115,000 per annum, under a lease which may first be terminated on 31 March 2003.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit/(Loss) for the financial year	<u>356,053</u>	<u>(270,728)</u>
Net addition/(reduction) to shareholders' funds	356,053	(270,728)
Opening shareholders' funds (originally £(547,163) before prior year adjustment of £90,114)	<u>(457,049)</u>	<u>(186,321)</u>
Closing shareholders' funds	<u>(100,996)</u>	<u>(457,049)</u>
Equity interests	<u>(100,996)</u>	<u>(457,049)</u>