

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006
FOR
FARMERS FRESH LIMITED

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FARMERS FRESH LIMITED

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FOR THE YEAR ENDED 31 MAY 2006

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FARMERS FRESH LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2006

DIRECTORS:

S Morris
T J Bayliss
S A Wood
G Jones
J R Lloyd
W A Lammas

SECRETARY:

J R Bishop

REGISTERED OFFICE:

The Abattoir
Rouncil Lane
Kenilworth
Warwickshire
CV8 1NN

REGISTERED NUMBER:

03851239 (England and Wales)

AUDITORS:

Chancery (UK) LLP
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 2006

The directors present their report with the financial statements of the company for the year ended 31 May 2006.

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 interim dividend was paid during the year. The directors recommend a final dividend of £400,000 per share.

The total distribution of dividends for the year ended 31 May 2006 will be £400,000.

DIRECTORS

The directors during the year under review were:

D T Owen	- resigned 16/1/06
S Morris	
T J Bayliss	
S A Wood	
G Jones	
J R Lloyd	
W A Lammas	- appointed 18/5/06

The directors holding office at 31 May 2006 did not hold any beneficial interest in the issued share capital of the company at 1 June 2005 (or date of appointment if later) or 31 May 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

FARMERS FRESH LIMITED

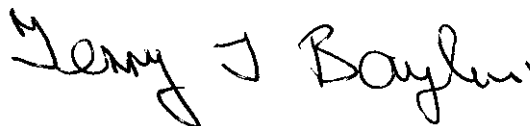
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2006

AUDITORS

The auditors, Chancery (UK) LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

T J Bayliss - Director

A handwritten signature in black ink that reads "Terry J Bayliss". The signature is written in a cursive style with a large initial 'T'.

9 November 2006

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 2006 on pages five to fourteen. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is 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 other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the report of the directors is consistent with the financial statements.

Chancery (UK) LLP
Chartered Accountants and
Registered Auditor
Chancery Pavilion
Boycott Avenue
Oldbrook
Milton Keynes MK6 2TA

Chancery (UK) LLP

9 November 2006

FARMERS FRESH LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2006

	Notes	2006 £	£	2005 £	£
TURNOVER			32,913,230		30,096,011
Cost of sales			27,548,941		25,458,455
GROSS PROFIT			5,364,289		4,637,556
Distribution costs		1,309,160		1,205,765	
Administrative expenses		3,615,916		3,240,624	
			4,925,076		4,446,389
			439,213		191,167
Other operating income			1,550		1,959
OPERATING PROFIT	3		440,763		193,126
Interest payable and similar charges	4		40,483		22,674
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			400,280		170,452
Tax on profit on ordinary activities	5		95,138		16,205
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			305,142		154,247

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

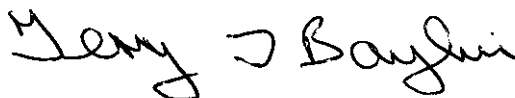
The company has no recognised gains or losses other than the profits for the current year or previous year.

FARMERS FRESH LIMITED**BALANCE SHEET****31 MAY 2006**

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	7	594,902	611,511
CURRENT ASSETS			
Stocks	8	97,645	67,095
Debtors	9	3,109,553	3,074,845
Cash at bank		130,334	101,906
		<u>3,337,532</u>	<u>3,243,846</u>
CREDITORS			
Amounts falling due within one year	10	<u>3,742,439</u>	<u>3,576,286</u>
NET CURRENT LIABILITIES		<u>(404,907)</u>	<u>(332,440)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		189,995	279,071
CREDITORS			
Amounts falling due after more than one year	11	(14,633)	(17,390)
PROVISIONS FOR LIABILITIES	14	<u>(28,754)</u>	<u>(20,215)</u>
NET ASSETS		<u>146,608</u>	<u>241,466</u>
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Profit and loss account	16	<u>146,607</u>	<u>241,465</u>
SHAREHOLDERS' FUNDS	19	<u>146,608</u>	<u>241,466</u>

The financial statements were approved by the Board of Directors on 9 November 2006 and were signed on its behalf by:

T J Bayliss - Director



The notes form part of these financial statements

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006

1. ACCOUNTING POLICIES

Accounting convention

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

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 or, if held under a finance lease, over the lease term, whichever is the shorter.

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 tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. STAFF COSTS

	2006 £	2005 £
Wages and salaries	1,696,280	1,548,356
Social security costs	156,116	150,040
	<u>1,852,396</u>	<u>1,698,396</u>

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

	2006	2005
Production	52	49
Administration	6	5
	<u>58</u>	<u>54</u>

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2006

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2006	2005
	£	£
Hire of plant and machinery	12,950	7,762
Depreciation - owned assets	123,407	120,715
Depreciation - assets on hire purchase contracts	17,740	17,216
Loss on disposal of fixed assets	-	1,098
Auditors remuneration: audit work	4,500	4,500
Foreign exchange differences	(32,946)	-
	<u> </u>	<u> </u>
Directors' emoluments	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank interest	35,161	18,199
Bank loan interest	1,575	-
Hire purchase	3,747	4,475
	<u> </u>	<u> </u>
	<u>40,483</u>	<u>22,674</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2006	2005
	£	£
Current tax:		
UK corporation tax	83,929	11,857
Prior year underprovision	2,670	-
	<u> </u>	<u> </u>
Total current tax	<u>86,599</u>	<u>11,857</u>
Deferred tax:		
Accelerated capital allowances	(988)	4,348
Change in tax rate	9,527	-
	<u> </u>	<u> </u>
Total deferred tax	<u>8,539</u>	<u>4,348</u>
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>95,138</u>	<u>16,205</u>

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MAY 2006

5. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	<u>400,280</u>	<u>170,452</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 19%)	120,084	32,386
Effects of:		
Disallowed expenditure	2,085	936
Prior year underprovision	2,670	-
Group relief	(32,553)	(15,658)
Marginal relief	(1,229)	(43)
Temporary differences	<u>(4,458)</u>	<u>(5,764)</u>
Current tax charge	<u>86,599</u>	<u>11,857</u>

6. DIVIDENDS

	2006 £	2005 £
Equity shares:		
Final	<u>400,000</u>	<u>150,000</u>

7. TANGIBLE FIXED ASSETS

	Short leasehold £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 June 2005	246,669	945,460	119,536
Additions	<u>31,267</u>	<u>93,271</u>	<u>-</u>
At 31 May 2006	<u>277,936</u>	<u>1,038,731</u>	<u>119,536</u>
DEPRECIATION			
At 1 June 2005	139,529	545,076	58,182
Charge for year	<u>26,714</u>	<u>93,099</u>	<u>12,271</u>
At 31 May 2006	<u>166,243</u>	<u>638,175</u>	<u>70,453</u>
NET BOOK VALUE			
At 31 May 2006	<u>111,693</u>	<u>400,556</u>	<u>49,083</u>
At 31 May 2005	<u>107,140</u>	<u>400,384</u>	<u>61,354</u>

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2006

7. **TANGIBLE FIXED ASSETS - continued**

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 June 2005	48,400	32,331	1,392,396
Additions	-	-	124,538
At 31 May 2006	48,400	32,331	1,516,934
DEPRECIATION			
At 1 June 2005	9,895	28,203	780,885
Charge for year	7,701	1,362	141,147
At 31 May 2006	17,596	29,565	922,032
NET BOOK VALUE			
At 31 May 2006	30,804	2,766	594,902
At 31 May 2005	38,505	4,128	611,511

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 June 2005 and 31 May 2006	90,299	34,000	124,299
DEPRECIATION			
At 1 June 2005	32,766	2,833	35,599
Charge for year	11,507	6,233	17,740
At 31 May 2006	44,273	9,066	53,339
NET BOOK VALUE			
At 31 May 2006	46,026	24,934	70,960
At 31 May 2005	57,533	31,167	88,700

8. **STOCKS**

	2006 £	2005 £
Stocks	97,645	67,095

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2006

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Trade debtors	2,762,086	2,879,468
Other debtors	14,419	1,521
Amounts owing from group companies	114,000	114,000
VAT	93,298	51,106
Prepayments and accrued income	125,750	28,750
	<u>3,109,553</u>	<u>3,074,845</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£	£
Bank loans and overdrafts (see note 12)	1,879,538	1,155,767
Hire purchase contracts (see note 13)	12,239	40,100
Trade creditors	476,540	1,271,306
Tax	86,599	11,857
Social security and other taxes	32,298	26,690
Amounts due to group companies	1,021,075	725,075
Accruals and deferred income	234,150	345,491
	<u>3,742,439</u>	<u>3,576,286</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006	2005
	£	£
Bank loans (see note 12)	9,980	-
Hire purchase contracts (see note 13)	4,653	17,390
	<u>14,633</u>	<u>17,390</u>

12. LOANS

An analysis of the maturity of loans is given below:

	2006	2005
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	1,871,019	1,155,767
Bank loans	8,519	-
	<u>1,879,538</u>	<u>1,155,767</u>

Amounts falling due between two and five years:

Bank loans - 2-5 years	<u>9,980</u>	<u>-</u>
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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 - continued
FOR THE YEAR ENDED 31 MAY 2006

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2006	2005
	£	£
Net obligations repayable:		
Within one year	12,239	40,100
Between one and five years	4,653	17,390
	<u>16,892</u>	<u>57,490</u>

The following operating lease payments are committed to be paid within one year:

	Land and buildings	
	2006	2005
	£	£
Expiring:		
Between one and five years	<u>125,400</u>	<u>125,400</u>

14. PROVISIONS FOR LIABILITIES

	2006	2005
	£	£
Deferred tax		
Accelerated capital allowances	<u>28,754</u>	<u>20,215</u>

	Deferred tax £
Balance at 1 June 2005	20,215
Accelerated capital allowances	(988)
Effect of change in tax rate	9,527
Balance at 31 May 2006	<u>28,754</u>

15. CALLED UP SHARE CAPITAL

Authorised:			2006	2005
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:			2006	2005
Number:	Class:	Nominal value:	£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2006

16. RESERVES

	Profit and loss account £
At 1 June 2005	241,465
Profit for the year	305,142
Dividends	(400,000)
At 31 May 2006	<u>146,607</u>

17. ULTIMATE PARENT COMPANY

The ultimate parent undertaking and controlling party of the company is Farmers First Plc. Farmers First Plc is registered in England and Wales and copies of its Annual Report can be obtained from the registered office. The largest and smallest group in which the results of the company are consolidated is that headed by Farmers First Plc.

The company has taken advantage of the exemptions available under Financial Reporting Standard No.8 "Related Party Disclosures" not to separately disclose transactions with other group companies on the grounds that it is a wholly owned subsidiary.

18. TRANSACTIONS WITH DIRECTORS

During the year the directors were paid the various amounts for management services and goods supplied under arms-length trading conditions. The amounts include payments in respect of the following :

- Livestock traded with the company
- Commission on livestock procurement
- Rent on the abattoir property and attached field
- Remuneration in the form of consultancy fees

The amounts involved are as follows:

Name	Livestock & Commission £	Rent £	Consultancy Fees £
TJ Bayliss	29,890		
S&A Wood (In which SA Wood is a partner)	0	125,400	27,500
DT Owen	38,784		
SR Morris & Sons (In which SR Morris is a partner)	59,686		
LG Jones	54,536		

FARMERS FRESH LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2006

19. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2006	2005
	£	£
Profit for the financial year	305,142	154,247
Dividends	(400,000)	(150,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(94,858)	4,247
Opening shareholders' funds	241,466	237,219
	<hr/>	<hr/>
Closing shareholders' funds	146,608	241,466
	<hr/>	<hr/>
Equity interests	146,608	241,466
	<hr/>	<hr/>