

**CP Foods (UK) Limited**  
**(formerly Fusion Foods Limited)**

**Directors' report and financial  
statements**

**Registered number 4307559**  
**Year ended 31 December 2006**

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## Directors' report

The directors present their report and financial statements for the year ended 31 December 2006.

### Principal activities

The principal activity of the company is that of food importers and distributors.

### Business review

2006 has seen another year of steady growth at CP Foods (UK) Limited.

Turnover rose by 22.5% largely due to the first full year of trading at our Manufacturing Operation at Newmarket where sales rose by over £9m during the year.

In other sectors cooked chicken sales grew by 12% and both duck and shrimp sales grew significantly albeit both from a small starting point.

Margins remained fairly stable during 2006 and with the increased growth profitability was slightly ahead of target.

On 27 November 2006 the company changed its name from Fusion Foods Limited to CP Foods (UK) Limited formally recognising that CP Foods (UK) Limited is part of the worldwide interests of the CP Food Group based in Thailand.

2007 presents a number of challenges to the business. The introduction of a quota system for cooked chicken from Thailand is close to being formally agreed by the EU. Although the quota volume is expected to be above the volumes currently being imported, the administration of the quota system has yet to be agreed and as such the impact on prices within the market place is unknown.

However, the investment we have made in both people and systems, we hope will continue to introduce innovations in each of our four main product areas, chicken, shrimp, duck and dim sum that will grow sales for both ourselves and our customers reflecting the changing requirements of all consumers for added value products.

### Directors and directors' interests

The directors who held office during the year and their interest in the shares of the company were as follows:

	Ordinary shares of £1 each	
	2006	2005
P Anuchiracheeva	-	-
RJ Stokes	28,904	28,904
MJ Cheadle	28,904	28,904
De-Yi Shih	-	-
C Britton	28,904	28,904
RR Miller	28,904	28,904
JP Vincent	28,904	28,904
P Ohmpornnuwat	-	-
P Chirakitcharren	-	-
Mr P Chalongchaichan	-	-
Mr S Lasomboon	-	-

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company were granted to any of the directors or their immediate families, or exercised by them during the financial year.

The interests of the directors in the shares of the company's immediate and ultimate parent company are disclosed in the financial statements of those companies.

### Disclosure of information to auditors

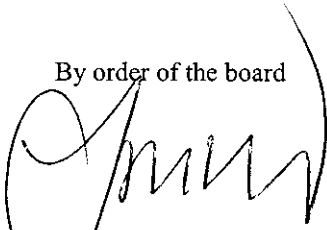
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make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

## Directors' report *(cont'd)*

### Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board



JP Vincent  
Director

Avon House  
Hartlebury Trading Estate  
Hartlebury  
Near Kidderminster  
Worcestershire  
DY10 4JB

12 February 2007

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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 company and to prevent and detect fraud and other irregularities.



## KPMG LLP

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

### **Independent auditors' report to the members of CP Foods (UK) Limited (formerly Fusion Foods Limited)**

We have audited the financial statements of CP Foods (UK) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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

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

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

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

#### **Basis of audit opinion**

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

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

## Independent auditors' report to the members of CP Foods (UK) Limited

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor

12 February 2007

**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Notes</i>	<b>2006</b> <b>£000</b>	2005 £000
<b>Turnover</b>	2	<b>100,390</b>	76,815
Cost of sales		<b>(88,862)</b>	(69,300)
<b>Gross profit</b>		<b>11,528</b>	7,515
Administrative expenses		<b>(8,093)</b>	(5,250)
<b>Operating profit</b>		<b>3,435</b>	2,265
Loss on sale of fixed assets		<b>(68)</b>	-
Interest payable and similar charges	6	<b>(930)</b>	(730)
Interest receivable and similar income		<b>12</b>	-
<b>Profit on ordinary activities before taxation</b>	3	<b>2,449</b>	1,535
Tax on profit on ordinary activities	7	<b>(836)</b>	(485)
<b>Profit on ordinary activities after taxation and for the financial year</b>	15	<b>1,613</b>	1,050

All of the above relates to continuing operations.

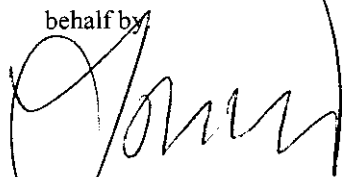
There were no recognised gains and losses other than the profit for the current and preceding year.



**Balance sheet**  
*at 31 December 2006*

	<i>Note</i>	<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	8	2,728	2,823
<b>Current assets</b>			
Stocks	9	21,889	14,527
Debtors	10	21,214	20,105
Cash at bank and in hand		2,183	339
		<b>45,286</b>	<b>34,971</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(45,342)</b>	<b>(35,867)</b>
<b>Net current liabilities</b>		<b>(56)</b>	<b>(896)</b>
<b>Total assets less current liabilities</b>		<b>2,672</b>	<b>1,927</b>
<b>Provisions for liabilities and charges</b>	12	<b>(4)</b>	<b>(72)</b>
<b>Net assets</b>		<b>2,668</b>	<b>1,855</b>
<b>Capital and reserves</b>			
Called up share capital	13	300	300
Profit and loss account	14	2,368	1,555
<b>Shareholders' funds – equity</b>	15	<b>2,668</b>	<b>1,855</b>

These financial statements were approved by the board of directors on 12 February 2007 and were signed on its behalf by



**JP Vincent**  
*Director*

**Cash flow statement**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	2005 £000
Net cash inflow from operating activities	18	5,900	1,336
Returns on investments and servicing of finance	19	(888)	(668)
Taxation		(467)	(381)
Capital expenditure	19	(392)	(2,913)
Dividends paid on shares classified in shareholders funds		(800)	(504)
Cash inflow/(outflow) before financing		3,353	(3,130)
Financing	19	(1,509)	3,310
Increase in cash in the year		1,844	180

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	2005 £000
Increase in cash in the year		1,844	180
Cash outflow/(inflow) from decrease in debt and lease financing		1,509	(3,310)
Movement in net debt in the year		3,353	(3,130)
Net debt at the start of the year		(7,534)	(4,404)
Net debt at the end of the year	20	(4,181)	(7,534)

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

#### ***Basis of preparation***

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

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets by equal instalments over their expected useful lives, as follows:

Short leasehold improvements	33.3%
Fixtures, fittings and equipment	33.3%
Motor vehicles	33.3%

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Pensions***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from the those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Stock***

Stocks are stated at the lower of cost and net realisable value.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover represents the invoiced value, net of value added tax, of goods sold to customers.

#### Cash

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### 2 Analysis of turnover

#### By geographical market

	2006 £000	2005 £000
United Kingdom	89,841	67,618
Rest of Europe	10,549	9,197
	<hr/> 100,390 <hr/>	<hr/> 76,815 <hr/>

### 3 Notes to the profit and loss account

	2006 £000	2005 £000
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#### Profit on ordinary activities before taxation is stated

#### after charging

Depreciation of tangible fixed assets:		
Owned assets	419	232
Hire of other assets – operating leases	342	255
	<hr/>	<hr/>

#### Auditors remuneration:

Audit	30	22
Other services – fees receivable by the auditors and their associates	23	13
	<hr/>	<hr/>

## Notes (continued)

### 4 Remuneration of directors

	2006 £000	2005 £000
Directors' emoluments	910	707
Company contributions to money purchase pension schemes	86	51
	<u>996</u>	<u>758</u>

The aggregate of emoluments of the highest paid director was £199,000 (2005: £176,000) and company pension contributions of £18,000 (2005: £13,000) were made to a money purchase pension scheme on his behalf.

	Number of directors	
	2006	2005
Retirement benefits accruing to the following number of directors under:		
Money purchase schemes	<u>5</u>	<u>5</u>

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2006	2005
Administration and directors	<u>77</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows:

	2006 £000	2005 £000
Wages and salaries	3,105	2,336
Social security costs	335	207
Other pension costs	209	127
	<u>3,649</u>	<u>2,670</u>

### 6 Interest payable and similar charges

	2006 £000	2005 £000
Interest on bank loans	386	250
Other interest – payable to group undertakings	544	480
	<u>930</u>	<u>730</u>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in year

	2006	2005
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	829	392
Adjustment in respect of previous years	75	(1)
Total current tax	904	391
<i>Deferred tax (see note 12)</i>		
Origination/reversal of timing differences	(15)	94
Adjustment in respect of previous years	(53)	-
Total deferred tax	(68)	94
Tax on profit on ordinary activities	836	485

#### Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK 30% (2005: 30%). The differences are explained below:

	2006	2005
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	2,449	1,535
Current tax at 30% (2005: 30%)	735	461
<i>Effects of:</i>		
Expenses not deductible for tax purposes	45	42
Capital allowances for year in excess of depreciation	-	(155)
Depreciation for the year in excess of capital allowances	15	-
Depreciation on ineligible	1	1
Other timing differences	33	43
Adjustment in respect of previous years	75	(1)
Total current tax charge (see above)	904	391

#### Factors that may affect future current and total tax charges

There are no factors expected to affect future current and total tax charges.

## Notes (continued)

### 8 Tangible fixed assets

	Short leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000	£000
<b>Cost</b>				
At beginning of year	96	3,051	54	3,201
Additions	-	385	14	399
Disposals	-	(81)	(11)	(92)
At end of year	96	3,355	57	3,508
<b>Depreciation</b>				
At beginning of year	59	286	33	378
Charge for the year	22	386	11	419
Disposals	-	(6)	(11)	(17)
At end of year	81	666	33	780
<b>Net book value</b>				
At 31 December 2006	15	2,689	24	2,728
At 31 December 2005	37	2,765	21	2,823

### 9 Stocks

	2006 £000	2005 £000
Raw materials and consumables	21,889	14,527

### 10 Debtors

	2006 £000	2005 £000
Trade debtors	20,137	19,351
Amounts owed by group undertakings	310	1
Other debtors	496	536
Prepayments	271	217
	21,214	20,105

Trade debtors are subject to invoice discounting.

**Notes (continued)**

**11 Creditors: amounts falling due within one year**

	2006 £000	2005 £000
Bank loans and overdrafts (secured)	6,364	7,873
Trade creditors	2,497	2,799
Amounts owed to group undertakings	31,060	21,952
Corporation tax	829	392
Other taxation and social security	104	137
Other creditors	1,587	1,118
Accruals and deferred income	2,901	1,596
	<u>45,342</u>	<u>35,867</u>

Bank loans and overdrafts are secured by way of a debenture containing a fixed and floating charge over the company's assets.

Obligations under finance leases and hire purchase contracts are secured over the asset to which they relate.

**12 Provisions for liabilities and charges**

	Deferred taxation £000
Deferred tax liability at beginning of year	72
Charge to the profit and loss for the year (see note 7)	(68)
<b>Deferred tax liability at end of year</b>	<u><b>4</b></u>

The elements of deferred taxation are as follows:

	2006 £000	2005 £000
Difference between accumulated depreciation and capital allowances	19	147
Other timing differences	(15)	(75)
	<u>4</u>	<u>72</u>



## Notes (continued)

### 13 Called up share capital

	2006 £000	2005 £000
<i>Authorised:</i>		
300,000 ordinary shares of £1 each	300	300
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
300,000 ordinary shares of £1 each	300	300
	<hr/>	<hr/>

### 14 Reserves

	Profit and loss account £000
At beginning of year	1,555
Profit for the financial year	1,613
Dividends paid	(800)
	<hr/>
At end of year	2,368
	<hr/>

### 15 Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	1,613	1,050
Dividends on shares classified as shareholders' funds	(800)	(504)
	<hr/>	<hr/>
Retained profit and net addition to shareholders' funds	813	546
Opening shareholders' funds	1,855	1,309
	<hr/>	<hr/>
Closing shareholders' funds	2,668	1,855
	<hr/>	<hr/>

### 16 Commitments

- a) At 31 December 2006, the company had capital commitments of £25,000 (2005: £45,000).
- b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other
	2006 £000	2005 £000	2006 £000
Operating leases which expire:			2005 £000
Within one year	12	-	6
In the second to fifth years inclusive	46	-	107
Over five years	130	242	51
	<hr/>	<hr/>	<hr/>
	188	242	164
	<hr/>	<hr/>	<hr/>
			84
			<hr/>

## Notes (continued)

### 17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £209,000 (2005: £126,000).

There were outstanding contributions of £17,000 (2005: £19,000) at the end of the financial year.

### 18 Reconciliation of operating profit to net cash outflow from operating activities

	2006 £000	2005 £000
Operating profit	3,435	2,265
Depreciation charges	419	232
Increase in stocks	(7,362)	(1,550)
Increase in debtors	(1,109)	(9,905)
Increase in creditors	10,517	10,294
<b>Net cash inflow from operating activities</b>	<b>5,900</b>	<b>1,336</b>

### 19 Analysis of cash flows

	2006 £000	2005 £000
<b>Returns on investments and servicing of finance</b>		
Interest paid	(900)	(668)
Interest received	12	-
	<b>(888)</b>	<b>(668)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(399)	(2,914)
Receipts from sale of tangible fixed assets	7	1
	<b>(392)</b>	<b>(2,913)</b>
<b>Financing</b>		
Movement in short term loans	(1,509)	3,319
Capital element of finance lease repayments	-	(9)
	<b>(1,509)</b>	<b>3,310</b>

## Notes (continued)

### 20 Analysis of net debt

	1 January 2006 £000	Cash flow £000	31 December 2006 £000
Cash at bank and in hand	339	1,844	2,183
Debts falling due within one year	(7,873)	1,509	(6,364)
Net debt	(7,534)	3,353	(4,181)

### 21 Related party transactions

During the year, the company has purchased goods from CPF Europe SA the immediate parent company amounting to £56,822,000 (2005: £49,880,000), and fellow subsidiary undertakings CP Merchandising Company Limited amounting to £7,608,000 (2005: £5,041,000) and CP Klang Limited amounting to £3,944,000 (2005: £1,940,000).

During the year CPF Europe SA the intermediate parent company purchased goods from CP Foods UK Limited amounting to £44,103 (2005: £Nil).

At the year end, the company owed CPF Europe SA £30,085,000 (2005: £18,577,000), CP Merchandising Company Limited £202,000 (2005: £480,000) and CP Klang Limited £773,000 (2005: £352,000) which is included within creditors.

At the year end CP Foods UK Limited was owed £310,000 by CPF Europe SA the intermediate parent company.

During the year, interest of £544,000 (2005: £480,000) has been charged by CPF Europe SA relating to the amounts due. At the year end, £100,000 remains outstanding and is included within accruals (2005: £152,000).

### 22 Ultimate parent company and parent undertaking of large group of which the company is a member

The company is a subsidiary undertaking of CPF Europe SA incorporated in Belgium.

The largest group in which the results of the company are consolidated is headed by Charoen Pokphand Foods Public Company Limited, incorporated in Thailand. The consolidated financial statements of this company are available to the public and may be obtained from 313, CP Tower, Silom Road, Bangrak, Bangkok 10500, Thailand.

### 23 Ultimate controlling party

The ultimate controlling party of the company is Charoen Pokphand Foods Public Company Limited, a company incorporated in Thailand, by virtue of its majority shareholding.