Grant Thornton

Complan Foods Limited

Financial statements

For the period from 25 July 2005 to 29 July 2006

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COMPANIES HOUSE 15/03/2007

Company No. 04418784

Company information

Company registration number	04418784
Registered office	Heathrow Business Centre 65 High Street Egham Surrey TW20 9EY
Directors	Andrew Leek Kathryn Naylor William M Muirhead Christine Page William Abbott
Secretary	Andrew Leek
Bankers	Bank of Scotland St James's Gate 14-16 Cockspur Street London SW1Y 5BL
Solicitors	Olswang 90 High Holborn London WC1V 6XX
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Report of the directors

The directors present their report and the financial statements of the company for the period from 25 July 2005 to 29 July 2006.

Principal activities and business review

The company operates principally as a marketer of vitamin and mineral fortified food products.

Over the year the company has continued to review and update its marketing plans for its brands. The financial results are in line with expectations.

The directors use a number of measures, both financial and non-financial to monitor and benchmark the performance of the company. They regard the following as the key financial indicators of performance:

Turnover – measuring market share achieved by the company
Operating profit – measuring the profits generated by the company's operations.

Company sales rose by 5.3% to £5.94m (2005: £5.64m) while operating profit increased to £525,000 (2005: £366,000). The amortisation charge on goodwill decreased to £377,597 (2005: £917,041) following a change in the amortisation policy. The directors have revised the amortisation period to 20 years (previously 10 years) as in their opinion, given the ongoing brand support, this represents a more accurate reflection of the durability of the brand.

Although Complan has a good market position in most of the 15 countries in which it trades, these markets remain challenging. The retail environment is tough but management believe the business is making progress, both in terms of a refined strategy and in sales growth.

Results and dividends

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

Financial risk management objectives and policies

The company uses a variety of financial instruments including cash and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policies for managing cash flow interest rate risk is set out in the subsection entitled "interest rate risk" below.

Report of the directors

Currency risk

The company is not significantly exposed to translation and transaction foreign exchange risk as the main trading currency is sterling.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. Bank borrowings carry both variable and fixed interest rates.

Credit risk

The principal credit risk arises from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The directors and their interests in the shares of the company

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 29 July 2006	At 25 July 2005 or later date of appointment
Andrew Leek	Ordinary 'A' shares	**4,443**	4,443
	Ordinary 'C' shares	**117,102**	40,000
Kathryn Naylor	Ordinary 'A' shares	**-**	-
	Ordinary 'C' shares	**30,000**	30,000
William M Muirhead	Ordinary 'A' shares	**77,102**	77,102
	Ordinary 'C' shares	**-**	-

William M Muirhead was appointed as a director on 9 January 2006.
Steven C Turner was appointed as a director on 19 June 2006 and retired on 17 November 2006.

Jan Boers retired as a director on 19 June 2006.
Warren Linnell retired as a director on 31 January 2006.

Kenneth Manley retired as a director on 6 February 2006 and disposed of his interest in 77,102 ordinary 'A' shares. These shares were reclassified into ordinary 'C' shares.

Subsequent to the year end Christine Page was appointed as director on 7 December 2006 and William Abbott was appointed as director on 13 August 2006.

Report of the directors

Directors' responsibilities

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

United Kingdom 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 that disclose with reasonable accuracy at anytime the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Donations

During the Period from the company made the following contributions:

	Period to 29 July 2006	Period to 24 July 2005
	£	£
Charitable	**512**	650

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A Leek

Andrew Leek
Secretary
21st February 2007

Grant Thornton

Report of the independent auditor to the members of Complan Foods Limited

We have audited the financial statements of Complan Foods Limited for the period from 25 July 2005 to 29 July 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 23. 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the information given in the Report of the Directors is consistent with the financial statements. We also 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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.

Report of the independent auditor to the members of Complan Foods Limited (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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 July 2006 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements for the period ended 29 July 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

2 March 2007

Principal accounting policies

Basis of accounting

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

The principal accounting policies of the company are set out below. The directors have reviewed the policies and consider them to be the most appropriate.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts and is recognised upon receipt of goods by customers.

Amortisation

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Brands	-	20 years straight line (previously 10 years straight line)

The directors have revised the amortisation period to 20 years as in their opinion, given the ongoing brand support, this represents a more accurate reflection of the durability of the brand.

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. No assets are held under finance leases.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Income and expenditure arising on loan notes is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Profit and loss account

	Note	Period from 25 July 05 to 29 Jul 06 £	Period from 25 July 04 to 24 Jul 05 £
Turnover	1	**5,944,074**	5,644,300
Cost of sales		**(3,204,538)**	(2,867,740)
Gross profit		**2,739,536**	2,776,560
Other operating charges	2	**(2,214,702)**	(2,410,658)
Operating profit	3	**524,834**	365,902
Interest receivable		**19,754**	9,464
Interest payable and similar charges	6	**(640,422)**	(614,603)
Loss on ordinary activities before taxation		**(95,834)**	(239,237)
Tax on loss on ordinary activities	7	**20,402**	67,114
Loss for the financial period from	18	**(75,432)**	(172,123)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

Balance sheet

	Note	29 Jul 06 £	24 Jul 05 £
Fixed assets			
Intangible assets	8	**6,041,686**	6,419,283
Current assets			
Stocks	9	**408,070**	332,890
Debtors	10	**1,121,056**	1,048,262
Cash at bank		**765,066**	441,255
		2,294,192	1,822,407
Creditors: amounts falling due within one year	12	**(1,503,401)**	(1,895,125)
Net current assets/(liabilities)		**790,791**	(72,718)
Total assets less current liabilities		**6,832,477**	6,346,565
Creditors: amounts falling due after more than one year	13	**(6,397,766)**	(5,836,422)
		434,711	510,143
Capital and reserves			
Called-up equity share capital	17	**980,000**	980,000
Profit and loss account	18	**(545,289)**	(469,857)
Shareholders' funds	19	**434,711**	510,143

These financial statements were approved by the directors on 21/3/07 and are signed on their behalf by:

Andrew Leek
Director

Cash flow statement

	Note	Period from 25 July 05 to 29 Jul 06 £	Period from 25 July 04 to 24 Jul 05 £
Net cash inflow from operating activities	20	1,007,675	1,234,099
Returns on investments and servicing of finance			
Interest received		8,590	9,464
Interest paid		(421,757)	(356,107)
Net cash outflow from returns on investments and servicing of finance		(413,167)	(346,643)
Financing			
Issue of bank loans		4,090,000	-
Repayment of bank loans		(4,360,697)	(1,099,730)
Net cash outflow from financing		(270,697)	(1,099,730)
Increase/(decrease) in cash	20	323,811	(212,274)

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the principal activity of the company. No segmental information has been disclosed as, in the opinion of the directors, this would be prejudicial to the interests of the company.

2 Other operating charges

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Administrative expenses	**2,214,702**	2,410,658

3 Operating profit

Operating profit is stated after charging:

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Amortisation	**377,597**	917,041
Auditor's remuneration:		
Audit fees	**11,700**	9,400
Non-audit fees	**1,700**	1,550
Operating lease costs:		
Land and Buildings	**27,400**	21,929

4 Directors and employees

The average number of staff employed by the company during the financial period amounted to:

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	No	No
Number of administrative staff	**4**	3
Number of sales staff	**1**	1
	5	4

The aggregate payroll costs of the above were:

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Wages and salaries	**364,968**	336,313
Social security costs	**39,171**	33,154
	404,139	369,467

5 Directors

Remuneration in respect of directors was as follows:

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Emoluments receivable	**122,500**	110,289

Included in wages and salaries is an amount of £18,750 (2005: £30,289) paid to third parties for the services of directors.

6 Interest payable and similar charges

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Interest payable on bank loans	**303,696**	340,070
Interest payable on other loans	**215,164**	202,000
Other finance charges	**121,562**	72,533
	640,422	614,603

7 Taxation on ordinary activities

(a) Analysis of charge in the period from

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Current tax:		
UK Corporation tax based on the results for the period at 30% (2005 - 30%)	**-**	-
Deferred tax:		
Origination and reversal of timing differences	**(20,402)**	(67,114)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained as follows:

	Period from 25 July 05 to 29 Jul 06	Period from 25 July 04 to 24 Jul 05
	£	£
Loss on ordinary activities before taxation	**(95,834)**	(239,237)
Expected corporation tax credit	**(28,750)**	(71,771)
Expenses not deductible for tax purposes	**6,177**	4,658
Utilisation of tax losses	**95,294**	42,873
Other timing differences	**(72,721)**	24,240
Total current tax (note 7(a))	**-**	-

8 Intangible fixed assets

	Brands
	£
Cost	
At 25 July 2005 and 29 July 2006	9,170,405
Amortisation	
At 25 July 2005	2,751,122
Charge for the period	377,597
At 29 July 2006	3,128,719
Net book value	
At 29 July 2006	**6,041,686**
At 24 July 2005	6,419,283

9 Stocks

	29 Jul 06 £	24 Jul 05 £
Finished goods	**408,070**	332,890

10 Debtors

	29 Jul 06 £	24 Jul 05 £
Trade debtors	**732,183**	709,171
Other debtors	**150,370**	108,178
Prepayments and accrued income	**25,541**	38,353
Deferred taxation (note 11)	**212,962**	192,560
	1,121,056	1,048,262

Included within other debtors is an amount of £61,162 (2005: £50,000) which represents an unsecured, interest bearing loan to the Complan Foods Limited Employee Benefit Trust to facilitate the acquisition of shares in the company from a previous shareholder (see note 12).

11 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	Period from 25 July 05 to 29 Jul 06 £	Period from 25 July 04 to 24 Jul 05 £
Included in debtors (note 10)	**212,962**	192,560

The movement in the deferred taxation account during the period from was:

	Period from 25 July 05 to 29 Jul 06 £	Period from 25 July 04 to 24 Jul 05 £
Balance brought forward	**192,560**	125,446
Profit and loss account movement arising during the period	**20,402**	67,114
Balance carried forward	**212,962**	192,560

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	29 Jul 06 £	24 Jul 05 £
Tax losses available	**212,962**	119,839
Other timing differences	**-**	72,721
	212,962	192,560

12 Creditors: amounts falling due within one year

	29 Jul 06	24 Jul 05
	£	£
Bank loans	**286,392**	910,932
Trade creditors	**742,903**	662,108
Other taxation and social security	**–**	10,781
Other creditors	**61,162**	71,337
Accruals and deferred income	**412,944**	239,967
	1,503,401	1,895,125

Included within other creditors is an amount of £61,162 (2005: £50,000) which represents an unsecured, interest bearing loan received from certain shareholders for the sole purpose of onward lending to the Complan Foods Limited Employee Benefit Trust (see note 10).

13 Creditors: amounts falling due after more than one year

	29 Jul 06	24 Jul 05
	£	£
Loan notes	**2,830,004**	2,626,004
Bank loans and overdrafts	**3,567,762**	3,210,418
	6,397,766	5,836,422

Bank loans

The bank loan is with Bank of Scotland and is secured by a first charge over the company's assets. The borrowings above are stated net of related issue costs of £119,347. A charge of £3,501 was taken to the profit and loss account during the year in relation to the related issue costs.

The bank loan is repayable in bi-annual instalments from 4 May 2006 to 4 November 2012 and carries interest at 2.5% above base rate. An interest rate protection agreement has been entered into in respect of 50% of the loan. The interest rate for the fixed portion of the loan being 5.02%, with the arrangement ending on 28 November 2008.

Loan notes

Loan notes comprise 10% fixed rate unsecured notes issued to the holders of the ordinary 'A' and ordinary 'B' shares in connection with the acquisition of the Brands in 2003. The loan notes are fully redeemable on 1 August 2009 and the interest accruing is payable on redemption of the loans. The holders of the loan notes have given an undertaking to the Bank of Scotland that the loan notes will not be redeemed until the bank loan is fully repaid.

14 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	29 Jul 06	24 Jul 05
	£	£
Amounts repayable:		
In one year or less or on demand	**286,392**	910,932
In more than one year but not more than two years	**509,680**	973,203
In more than two years but not more than five years	**2,038,722**	4,863,219
In more than five years	**3,849,364**	–
	6,684,158	6,747,354

15 Leasing commitments

At 29 July 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings	
	29 Jul 06	24 Jul 05
	£	£
Operating leases which expire:		
Within 1 year	-	11,000
Between 2 - 5 years	**24,225**	-

16 Related party transactions

In accordance with a supply agreement and service agreement, the company entered into trading transactions on normal commercial terms with H.J.Heinz Company Limited ("Heinz"), a company related by virtue of its 34% holding of voting rights, to the value of £3,038,316 (2005 - £2,956,638). The net balance receivable from Heinz at 29 July 2006 amounted to £75,127 (24 July 2005 - £123,706).

17 Share capital

Authorised share capital:

	29 Jul 06 £	24 Jul 05 £
432,898 (2005: 510,000) Ordinary 'A' shares of £1 each	**432,898**	510,000
340,000 (2005: 340,000) Ordinary 'B' shares of £1 each	**340,000**	340,000
327,102 (2005: 150,000) Ordinary 'C' shares of £1 each	**327,102**	150,000
Nil (2005: 100,000) Undesignated ordinary shares of £1 each	**-**	100,000
	1,100,000	1,100,000

Allotted, called up and fully paid:

Equity shares

	29 Jul 06		24 Jul 05	
	No	£	No	£
Ordinary 'A' shares of £1 each	**432,898**	**432,898**	510,000	510,000
Ordinary 'B' shares of £1 each	**340,000**	**340,000**	340,000	340,000
Ordinary 'C' shares of £1 each	**207,102**	**207,102**	130,000	130,000
	980,000	**980,000**	980,000	980,000

In the year 77,102 issued shares were reclassified from A ordinary shares to C ordinary shares. 100,000 authorised undesignated shares have been reclassified as C ordinary shares not yet issued.

The holders of the ordinary 'A' shares may appoint two members of the Board of Directors and the holders of the ordinary 'B' shares, one member. Holders of the ordinary 'C' shares are appointed directly as members. In all other respects, each class of shares rank parri passu and carry equal voting rights.

18 Profit and loss account

	Period from 25 July 05 to 29 Jul 06 £	Period from 25 July 04 to 24 Jul 05 £
Balance brought forward	**(469,857)**	(297,734)
Loss for the financial period	**(75,432)**	(172,123)
Balance carried forward	**(545,289)**	(469,857)

19 Reconciliation of movements in shareholders' funds

	29 Jul 06	24 Jul 05
	£	£
Loss for the financial period	**(75,432)**	(172,123)
Opening shareholders' funds	**510,143**	682,266
Closing shareholders' funds	**434,711**	510,143

20 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	29 Jul 06	24 Jul 05
	£	£
Operating profit	**524,834**	365,902
Amortisation	**377,597**	917,041
Increase in stocks	**(75,180)**	(88,898)
Increase in debtors	**(41,228)**	(171,585)
Increase in creditors	**221,652**	211,639
Net cash inflow from operating activities	**1,007,675**	1,234,099

Reconciliation of net cash flow to movement in net debt

	29 Jul 06	24 Jul 05
	£	£
Increase/(decrease) in cash in the period	**323,811**	(212,274)
Cash (inflow) from bank loans	**(4,090,000)**	-
Cash outflow from bank loans	**4,360,697**	1,099,730
	270,697	1,099,730
Change in net debt resulting from cash flows	**594,508**	887,456
Other differences	**(207,501)**	(258,496)
Movement in net debt	**387,007**	628,960
Net debt at 25 July 2005	**(6,306,099)**	(6,935,059)
Net debt at 29 July 2006	**(5,919,092)**	(6,306,099)

20 Notes to the statement of cash flows (continued)

Analysis of changes in net debt

	At 25 Jul 2005 £	Cash flows £	Other changes £	At 29 Jul 2006 £
Net cash:				
Cash in hand and at bank	441,255	323,811	-	765,066
Debt:				
Debt due within 1 year	(910,932)	628,041	(3,501)	(286,392)
Debt due after 1 year	(5,836,422)	(357,344)	(204,000)	(6,397,766)
	(6,747,354)	270,697	(207,501)	(6,684,158)
Net debt	(6,306,099)	594,508	(207,501)	(5,919,092)

Net other changes of £207,501 are in respect of accrued interest of £204,000 added back to the principal debt, together with the release of prepaid finance costs of £3,501.

21 Contingent assets/liabilities

There no contingent assets or liabilities at 29 July 2006 or 24 July 2005.

22 Capital commitments

The company had no capital commitments at 29 July 2006 or 24 July 2005.

23 Ultimate controlling related party

The ultimate controlling related party is considered to be the individual holders of the ordinary 'A' shares by virtue of a shareholders' agreement requiring them and certain holders of the ordinary 'C' shares to vote en bloc.