



**Fairfax Meadow Europe Limited**

**Directors' report and financial  
statements**

**Registered number 04770072**

**31 December 2007**

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## **Company information**

### **Directors**

A J Barnes  
D J Gray  
A P H Hunter  
R H Stokes  
K Taylor  
P J Tomlinson

### **Secretary**

A J Barnes

### **Registered number**

04770072

### **Registered office**

5<sup>th</sup> Floor  
9 Hatton Street  
London NW8 8PL

### **Registered auditors**

KPMG LLP  
St Nicholas House  
Park Row  
Nottingham NG1 6FQ

### **Bankers**

Lloyds TSB  
25 Gresham Street  
London  
EC2V 7AE

## Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2007

### Principal activities

The activities of the company principally concern the supply of meat and poultry to the food service industry

### Business review and state of affairs

Trading	2007 £000	2006 £000
Turnover	101,043	76,762
Operating Profit	1,574	792

The company has achieved another satisfactory result for the year to 31 December 2007 and has made good progress despite an increasingly challenging competitive environment in which adverse global factors restricted the availability of meat, causing meat commodity prices to rise yet further. Utility costs increased ahead of the rate of general inflation. Turnover improved but margins contracted. The majority of the sales growth arose as a result of an increase in activity, largely derived from a number of new contracts. Operating profit increased from £792,000 in the previous year to £1,574,000 due to increased sales volumes and efficiencies achieved through capital investment, offsetting a reduction in the gross margin. Profit before tax increased by £689,000 to £1,446,000.

Turnover increased by 32% compared to last year. This was due to a strong focus on customer service, exceptional product quality and a competitive offering, enabling the company to gain market share through competitive tenders. The global supply of meat has been tight, particularly from the UK, South America and Europe. The consequent increases in meat commodity prices had an impact on both turnover and cost of sales and there is a lag effect before it can be fully recovered from customers. The gross margin of 11.0% represented a 1.6% decline from last year.

The company performed in line with management expectations during the year, with an improvement in both revenue and market share. The considerable progress made over recent years places us well for growth in the future.

Key financial performance indicators include the monitoring of asset cover and liquidity. Key non-financial performance indicators include the monitoring of our employees' health and safety.

	2007	2006	Measure
<b>Financial</b>			
Current Ratio	1.03	1.0	Current assets / current liabilities
Stock turnover	34 times	38 times	Turnover / stock
Sales per employee (£000)	235	210	Turnover / average number of employees
<b>Non – Financial</b>			
Reportable accidents per employee	0.02	0.02	Reportable accidents / employees

### Outlook

The objective of the business is to maximise total shareholder return by growing sales profitably and reinvesting cash flows in value enhancing opportunities. The new financial year has started with some extremely challenging market conditions with a worldwide increase in the cost of meat. A comprehensive investment programme in the company's production, distribution and administration facilities continues in order to deliver further efficiencies to the company and its customers. Barring any unforeseen circumstances, the company looks to achieve targets set for the current period and looks forward with confidence to the year ahead.

The company has a strong balance sheet and relatively conservative gearing, which enables it to consider opportunities for growth in the food sector. The directors consider the company's affairs to be satisfactory.

### Risks

The risk management process in Fairfax Meadow Europe Limited seeks to enable the early identification, evaluation and effective management of the key risks facing the businesses at operational level and to operate internal controls, which adequately mitigate these risks. The company regularly assesses its risk management activities to ensure good practice in all areas. The principal corporate risk to the business remains any downturn in consumer spending in our markets, whether as a result of changes in customer choices or driven by global environmental circumstances that impact upon the availability and pricing of meat commodities. The company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers.

## **Directors' report** *(continued)*

### **Business review and state of affairs** *(continued)*

Other principal risks and uncertainties affecting the business include the following

**Competitive Risk** the company operates in a highly competitive market. Product innovations or technical advances by competitors could adversely affect the company. The diversity of products and operations reduces the possible effect of action by any single competitor.

**Interest rate risk** the company's policy is to borrow funds to finance working capital. Such borrowings are in the form of bank overdrafts and bank loans and vary considerably throughout the year. Such borrowings have variable interest rates based upon banks' base rates and interest risks are therefore subject to fluctuations in such rates.

**Credit risk** the company is exposed to counter party credit risk when dealing with customers and from certain financing activities. The company maintains strong relationships with each of its key customers and has established credit control parameters. Credit evaluations are performed on all customers requiring significant credit and outstanding debts are continuously monitored by each business. Aggregate exposures are monitored at Board level and, where appropriate, limits are set for higher risk counterparties. Concentrations of credit risk are limited as a result of the company's diverse customer base. In addition, the company maintains credit insurance where necessary.

**Liquidity risk** the company has committed bank facilities available to meet its long-term capital and funding obligations and to meet any unforeseen obligations and opportunities. Banking relationships are limited to those banks that are members of the core relationship groups. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements.

**Environmental risks** Fairfax Meadow Europe Limited recognises the impact that its operations have on the environment. Therefore, as a minimum, we aim to comply with current applicable legislation and our operations are conducted with a view to ensuring that

- emissions to air, releases to water and land filling of solid wastes do not cause unacceptable environmental impacts and do not offend the community,
- energy and natural resources are used efficiently and energy consumption is monitored and raw material waste is minimised,
- solid waste is reduced, reused or recycled where practicable,
- the amount of packaging used for products is minimised, consistent with requirements for food safety,
- products are transported efficiently to minimise fuel usage, consistent with customers' demand, production arrangements, and vehicle fleet operations, and
- effective emergency response procedures are in place to minimise the impact of foreseeable incidents.

**Health and safety** the principal health and safety risks relate to the potential for serious injuries and regulatory action for non-compliance with statutory requirements. The company has named accountable senior executives who employ specialists to manage these risks. The company employs a Health & Safety manager to audit its operations to understand how companies manage their risks and to verify the data. Companies are required to develop action plans as appropriate and progress is monitored by the Group Health & Safety manager.

**Loss of a major site** the company operates from several sites, the loss of which, for example as a result of fire, would present significant operational difficulties. Our operations have business continuity plans in place to manage the impact of such an event and company insurance programmes to mitigate the financial consequences.

**Litigation** the company is subject to litigation from time to time. The outcome of legal action is always uncertain and there is always the risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future which could materially impact the company. In some liability cases legal expenses are covered by insurance.

### **Results**

The results for the year are set out in the profit and loss account on Page 7. The profit on ordinary activities after taxation was £1,058,000 (2006 £512,000).

## **Directors' report** *(continued)*

### **Dividends**

An interim dividend of 25 6 pence per share amounting to £256,000 was paid on ordinary shares (2006 £125,000). No further dividend is recommended. It is the Board's intention to reinvest retained earnings in value enhancing opportunities within the business.

### **Directors**

The membership of the Board is set out below.

A J Barnes  
D J Gray  
A P H Hunter  
R H Stokes  
K Taylor  
PJ Tomlinson  
J Hosty - resigned 14 September 2007

### **Employees**

The company takes its responsibilities to its employees seriously. It is committed to equality and opportunity and aims to treat all of its employees fairly in every aspect of employment. It is committed to giving employees the opportunity to maximise their potential.

### **Payment policy and practice**

It is the policy of the company to agree terms of payment when orders for goods and services are placed and to adhere to these arrangements when making payments, provided the relevant goods and services have been supplied in accordance with the contract. This policy will continue for the current financial year.

### **Political and charitable contributions**

The company made donations for charitable purposes during the year, which amounted to £3,330 (2006 £2,350). No political donations were made.

### **Going concern**

The directors are confident, having reviewed the company's budget for the financial year ending 31 December 2008 and relevant plans beyond that date, that the company has adequate resources to continue in operation for the foreseeable future. This review included an analysis of business operating plans, proposed capital expenditure and associated cash flow projections. It also included a comparison of results and ratios within the company's committed borrowing facilities. It is therefore, considered appropriate to adopt the going concern basis in preparing the financial statements.

### **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.

### **Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the Board

  
K Taylor  
Director

5th Floor  
9 Hatton Street  
London NW8 8PL

28 May 2008

## **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 and applicable law (UK Generally Accepted Accounting Practice)

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



## **Independent auditors' report to the members of Fairfax Meadow Europe Limited**

We have audited the financial statements of Fairfax Meadow Europe Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet 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 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 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.

### **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 2007 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.

Chartered Accountants  
Registered Auditor  
Nottingham

Dated 28 May 2008



**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b> £000	2006 £000
<b>Turnover</b>	2	<b>101,043</b>	76,762
Cost of sales		<u>(89,929)</u>	<u>(67,111)</u>
<b>Gross profit</b>		<b>11,114</b>	9,651
Distribution costs		<u>(4,832)</u>	<u>(4,056)</u>
Administrative expenses		<u>(4,708)</u>	<u>(4,803)</u>
<b>Operating profit</b>		<b>1,574</b>	792
Other interest receivable and similar income		<b>10</b>	53
Interest payable and similar charges	5	<u>(138)</u>	<u>(88)</u>
<b>Profit on ordinary activities before taxation</b>	6	<b>1,446</b>	757
Tax on profit on ordinary activities	7	<u>(388)</u>	<u>(245)</u>
<b>Profit on ordinary activities after taxation</b>	17	<u><b>1,058</b></u>	<u>512</u>

The results for the year are derived wholly from continuing operations

The company had no recognised gains or losses in either the current or preceding year other than those recorded in the profit and loss account and, therefore, no separate statement of total recognised gains and losses has been prepared

**Balance sheet**  
*as at 31 December 2007*

	<i>Note</i>	<b>2007</b>		<b>2006</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	9		2,164		1,811
<b>Current assets</b>					
Stocks	10	2,986		2,034	
Debtors	11	16,659		12,202	
Cash at bank and in hand		3,036		1,532	
		<u>22,681</u>		<u>15,768</u>	
<b>Creditors</b> amounts falling due within one year	12	<u>(22,048)</u>		<u>(15,707)</u>	
<b>Net current assets</b>			<u>633</u>		<u>61</u>
<b>Total assets less current liabilities</b>			<u>2,797</u>		<u>1,872</u>
<b>Creditors</b> amounts falling due after more than one year	13		(189)		(66)
<b>Provisions for liabilities and charges</b>	14		(170)		(170)
<b>Net assets</b>			<u>2,438</u>		<u>1,636</u>
<b>Capital and reserves</b>					
Called up share capital	16		1,000		1,000
Profit and loss account	17		1,438		636
<b>Shareholders' funds</b>	18		<u>2,438</u>		<u>1,636</u>

These financial statements were approved by the board of directors on 28 May 2008 and signed on its behalf by

  
**K Taylor**  
*Director*

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The principal accounting policies are summarised below. They have been applied consistently in dealing with items which are considered material in relation to the company's financial statements throughout the year and preceding year.

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

The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and the Companies Act 1985.

#### ***Cash flow statement and related party disclosures***

The company is a wholly owned subsidiary of Argyll Group Europe Limited and is included in its consolidated financial statements, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financing Reporting Standard 8 from disclosing related party transactions with entities which are part of the Argyll Group Europe Limited group.

#### ***Revenue recognition***

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefit will flow to the company and the amount of revenue can be measured reliably. Turnover represents the invoiced value of goods and services supplied, net of value added tax and trade discounts.

#### ***Tangible fixed assets***

Fixed assets are carried at cost less provision for impairment and depreciation. The charge for depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives, which are as follows:

Leasehold buildings	- over the lease term
Plant and machinery	- 7.5% - 15%
Fixtures, fittings and office equipment	- 15% - 50%

#### ***Research and development***

Research and development expenditure is charged to the profit and loss account in full in the period in which it is incurred.

#### ***Web site development costs***

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

#### ***Stocks and work in progress***

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads incurred in the normal course of business in bringing the product to its present location and condition.

#### ***Taxation***

Current tax, including UK corporation tax and overseas tax, is included at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future. Deferred tax is measured at the tax rates that are expected.

## Notes (continued)

### 1 Principal accounting policies (continued)

#### *Taxation (cont)*

to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

#### *Foreign currencies*

The financial statements are presented in Sterling. Transactions in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction or at forward contract rates where appropriate. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Other gains and losses arising from foreign currency transactions are included in the profit and loss account.

#### *Pension costs and other post retirement benefits*

The company participates in a number of group pension schemes operated by Argyll Group Europe Limited. The pension schemes are of both the defined contribution and defined benefit type. In all cases the assets are held in a separate trustee administered fund. The defined benefit funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening periods the actuary reviews the continuing appropriateness of the rates. The latest finalised assessment of the main scheme was at 30 June 2004 and updated to 31 December 2007 by a qualified independent actuary. The aggregate group pension liability at 31 December 2007 was £1,737,000 (2006 £2,293,000). The current employer contribution rate is 25.4%. In addition, the group has agreed to make a level annual contribution to the scheme of £214,920 per annum. As the scheme is closed to new members, under the projected unit method the current service cost will increase, as the members of the scheme approach retirement.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in defined contribution plans. Defined contribution pension costs charged to the profit and loss account represent contributions payable in respect of the accounting period.

#### *Leases*

Tangible fixed assets acquired under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, are capitalised in the balance sheet and depreciated over the shorter of their useful lives and the lease terms. The present value of future rentals is shown as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

#### *Borrowings*

Borrowings are initially stated at the fair value of the consideration received. Finance costs are charged to the profit and loss account over the term of the borrowings so as to represent a constant proportion of the balance of capital repayments outstanding. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than twelve months are included in accrued charges within current liabilities. For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings.

#### *Dividends*

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)

### 2 Turnover

Turnover is attributable to one continuing activity, namely that of catering butchers. All turnover arises from the company's principal activity in the United Kingdom.

### 3 Employment

	2007 £000	2006 £000
The staff costs for the year were as follows		
Wages and salaries	10,244	8,455
Social security costs	814	671
Other pension costs	143	159
	<u>11,201</u>	<u>9,285</u>

	Number	Number
The average monthly number of employees (including executive directors) was as follows		
Administration	35	35
Distribution	119	110
Production and manufacturing	275	220
	<u>429</u>	<u>365</u>

### 4 Directors' remuneration

	2007 £000	2006 £000
Emoluments	495	568
Company contributions to pension schemes	22	23
	<u>517</u>	<u>591</u>

	£000	£000
Remuneration of the highest paid director		
Emoluments	162	150
Company contributions to defined benefit pension scheme	8	6
	<u>170</u>	<u>156</u>

	Number	Number
The number of directors who		
Are members of a defined benefit pension scheme	1	2
Are members of a money purchase schemes	2	2
	<u>3</u>	<u>4</u>

## Notes (continued)

### 5 Interest payable and similar charges

	2007 £000	2006 £000
Interest payable on bank loans and overdrafts	122	84
Finance charges in respect of finance leases and hire purchase contracts	16	4
	<u>138</u>	<u>88</u>

### 6 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned assets	538	577
- assets held under finance leases and hire purchase contracts	49	51
Operating lease rentals		
- plant and machinery	864	807
- land and buildings	674	640
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	28	27
Loss/(profit) on sale of fixed assets	4	(3)
	<u>4</u>	<u>(3)</u>

### 7 Tax on profit on ordinary activities

The tax charge represents

	2007 £000	2006 £000
Current tax		
UK corporation tax rate at 30% (2006 30%)	445	263
Adjustment to UK tax charge in respect of previous years	2	1
Total current tax charge	<u>447</u>	<u>264</u>
Deferred tax		
Origination and reversal of timing differences	(56)	(11)
Adjustments in respect of prior years	(3)	(8)
Total deferred tax (note 15)	<u>(59)</u>	<u>(19)</u>
Tax on profit on ordinary activities	<u>388</u>	<u>245</u>

## Notes (continued)

### 8 Tax on profit on ordinary activities (continued)

#### *Reconciliation of effective tax rate*

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2007 £000	2006 £000
Profit on ordinary activities before tax	1,446	757
Profit on ordinary activities multiplied by the standard rate of corporation tax for the UK of 30% (2006 30%)	434	227
Effects of		
Expenses not deductible for tax purposes	31	26
Capital allowances for the period in excess of depreciation	(15)	13
Other timing differences originating in the year	(1)	(3)
Adjustment to UK tax charge in respect of prior year	2	1
Industrial buildings allowances	(4)	-
Current tax charge	447	264

### 8 Dividends

	2007 £000	2006 £000
Ordinary shares		
Dividends paid – interim dividend of £0.256 per share (2006 £0.125 per share)	256	125

### 9 Tangible fixed assets

	Leasehold properties £000	Plant, fixtures and vehicles £000	Total £000
<b>Cost</b>			
At beginning of the year	577	7,808	8,385
Additions	-	942	942
Disposals	-	(1,261)	(1,261)
At end of year	577	7,489	8,066
<b>Accumulated depreciation</b>			
At beginning of the year	196	6,378	6,574
Charge for the year	14	573	587
Eliminated on disposals	-	(1,259)	(1,259)
At end of year	210	5,692	5,902
<b>Net book value</b>			
At 31 December 2007	367	1,797	2,164
At 31 December 2006	381	1,430	1,811

## Notes (continued)

### 9 Tangible fixed assets (continued)

Leasehold land and buildings includes property with net book value of £25,000 (2006 £33,000) held under a short term lease

Leased assets included above

	2007 £000	2006 £000
Cost	712	393
Accumulated depreciation	295	246
Net book amount at 31 December	417	147

### 10 Stock

	2007 £000	2006 £000
Raw materials and consumables	2,986	2,034

### 11 Debtors

	2007 £000	2006 £000
Trade debtors	15,370	11,021
Other debtors	594	476
Prepayments and accrued income	540	471
Corporation tax recoverable	55	193
Deferred tax recoverable (Note 15)	100	41
	16,659	12,202

### 12 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdraft	3,741	2,663
Trade creditors	14,079	9,562
Amounts owed to group undertakings	-	359
Taxation and social security	290	231
Other creditors	3,711	2,746
Accruals and deferred income	79	103
Amounts due under finance leases and hire purchase contracts	148	43
	22,048	15,707

The company maintains a discreet invoice discounting facility for £4,000,000 (2006 £3,000,000). This facility is an evergreen facility with three month's notice period and is dependent upon the level of trade debtors in the company. The amount outstanding at 31 December 2007 was £3,741,000 (2006 £2,663,000). Interest is payable at 1% above LIBOR.



## Notes (continued)

### 13 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts due under finance leases and hire purchase contracts	189	66
	<u>189</u>	<u>66</u>
<i>Amounts due under finance leases and hire purchase contracts after more than one year are repayable as follows</i>	<b>£000</b>	<b>£000</b>
Between one and five years	189	66
	<u>189</u>	<u>66</u>

### 14 Provision for liabilities and charges

	Leases £000
At 1 January 2007	170
Charged to the profit and loss account for the year	-
Utilised during the year	-
Amounts released in the year	-
	<u>170</u>
<b>At 31 December 2007</b>	<b>170</b>

Lease provisions relates to financial commitments payable under head leases in excess of the income expected under sub-leases during the period from 2009 to 2013

### 15 Deferred taxation

The analysis of deferred taxation is set out as follows

	2007 £000	2006 £000
Excess of book depreciation over tax depreciation	(100)	(40)
Other timing differences	-	(1)
	<u>(100)</u>	<u>(41)</u>
Deferred tax asset at beginning of the year	(41)	(22)
Deferred tax credit in profit and loss account for the year (note 7)	(56)	(11)
Deferred tax credit in profit and loss account in respect of prior year (note 7)	(3)	(8)
	<u>(100)</u>	<u>(41)</u>
Deferred tax asset at the end of the year	<u>(100)</u>	<u>(41)</u>

## Notes (continued)

### 16 Share capital

	2007 £000	2006 £000
<i>Authorised, issued and fully paid</i> 1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

### 17 Movement on reserves

	Profit and loss account £000
At 1 January 2007	636
Profit for the year	1,058
Dividends paid	(256)
At 31 December 2007	<u>1,438</u>

### 18 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	1,058	512
Dividends	(256)	(125)
Movements on shareholders' funds in year	<u>802</u>	<u>387</u>
Opening shareholders' funds	1,636	1,249
Closing shareholders' funds	<u>2,438</u>	<u>1,636</u>

### 19 Pension scheme

The company participates in both the defined benefit and defined contribution group personal pension schemes. As noted in the accounting policies note, the pension cost charge for the period represents contributions payable by the company to the scheme and to employees' personal pension plans. Further disclosure of the group pension schemes are shown within the accounting policies note and in the consolidated accounts of the ultimate holding company, Argyll Group Europe Limited. The total pension cost charge for the year amounted to £143,000 (2006 £159,000). The amounts paid in respect of the group's defined benefit scheme were £104,000 (2006 £109,000) and in respect of the group's defined contribution scheme was £39,000 (2006 £50,000). Outstanding contributions at year end totalled £nil (2006 £3,476).

## Notes (continued)

### 20 Financial commitments

The future minimum lease payments under operating leases are as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£000	£000	£000	£000
Within one year	-	-	192	146
Within one and five years	42	9	660	585
Over five years	635	631	24	-
	<u>677</u>	<u>640</u>	<u>876</u>	<u>731</u>

### 21 Assets pledged, commitments and contingencies

The company is a participant in a group arrangement under which all assets and surplus cash balances are held as collateral for bank facilities advanced to Group members. The maximum amount covered by these arrangements at 31 December 2007 was £15.3 million (2006 £12.3 million).

### 22 Transactions with directors and related parties

The company sold £44,042 (2006 £142,355) of meat on an open market basis to Walton Meats Limited, a business part owned by Mr GF Wensley, a senior manager of Fairfax Meadow Europe Limited. An amount of £17,741 (2006 £8,894) was outstanding at the end of the year.

### 23 Ultimate holding company

The company is a wholly owned subsidiary of Argent Holdings Limited, a company incorporated in England and Wales, and is ultimately owned and controlled by Argyll Group Europe Limited, a company incorporated in England and Wales with registered office at 5th Floor, 9 Hatton Street, London NW8 8PL.

The largest group into which the results of the company are consolidated is the Argyll Group Europe Limited group. Copies of those consolidated financial statements may be obtained from the registered office.