



Fairfax Meadow Europe Limited

Directors' report and financial statements

Registered number: 04770072

31 December 2011

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Company information

Directors

A Barnes
D Gray
K Taylor
P Tomlinson
P Willington

Registered number

04770072

Registered office

5th Floor
9 Hatton Street
London
NW8 8PL

Independent auditors

PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2011

Principal activities

The Company's principal activity is the supply of meat and poultry to the food service industry

Business review and state of affairs

The Company increased turnover by 6% to £143.7 million in 2011. This performance included the impact of rising meat inflation as well as a growth in UK market share.

Gross margins were reduced by 1.5% to 8.5% as a result of the inflationary impact of meat, energy and fuel price rises that were not passed on in full to customers. In order to combat this adverse margin trend, Fairfax has continued to develop its menu offering to improve product margins, undertaken capital investment to drive operational efficiencies and adopted a series of cost saving initiatives.

Fairfax has retained its leading position within the catering meat market in 2011.

Performance management

Annual budgets and longer term financial plans are developed by the directors to target improved business performance. The directors review the performance of the business through comprehensive monthly business reviews, comparing actual results against both budget expectations and prior year achievements. All results are challenged to ensure performance is maximized. Particular emphasis is placed on monitoring turnover, operating costs and working capital levels. In addition, other key performance indicators monitored by the directors are as follows:

| | 2011 | 2010 | Measure |
|-----------------------------|----------|----------|--------------------------------------|
| Sales per employee (£'000s) | 303 | 303 | Turnover/average number of employees |
| Gross margin (%) | 8.5% | 10.0% | Gross profit/turnover |
| Current ratio | 1.10 | 1.06 | Current assets/current liabilities |
| Stock turnover | 21 times | 20 times | Turnover/stock |

Cash flow, capital expenditure and borrowings

Fairfax continues to generate cash and operates from a strong financial position. The Company also continued to invest in capital expenditure with £1 million spent mainly on plant, machinery and fittings, 34% higher than the depreciation charge in the year. This capital investment will deliver operational efficiencies as well as support for the development and differentiation of the business in the future.

Cash and cash equivalents totalled £2.5 million at the year end (2010: £nil million). Net borrowings were £2.7 million at the year end compared with £3.6 million in 2010.

Results and dividends

Detailed results for the period are set out in the profit and loss account on page 11. The profit for the period attributable to equity shareholders amounted to £1,203,000 (2010: £1,258,000). The directors do not propose to pay a dividend in respect of ordinary shares for the year.

Fixed assets

The Company's tangible fixed assets are included in the financial statements at cost or valuation less depreciation. The directors consider the book value of all tangible fixed assets is equivalent to their fair value.

Directors' report (continued)

Outlook for 2012

The Company continues to trade in a difficult economic and market environment. This looks certain to continue for the foreseeable future with the UK economy forecast to continue at low levels of GDP growth and high levels of unemployment during 2012. In order to meet this challenge, the Company's business remains competitively well positioned and cash generative and will continue to focus on protecting market positioning and developing product ranges to underwrite the delivery of future sales and profit growth. The Company has a strong balance sheet and adequate committed borrowing facilities, which will enable it to continue to invest in capital expenditure and other development opportunities outlined in its strategic plans.

Risk monitoring & mitigating controls

The Company operates in an environment that is continually changing and, as a result, the risks it faces will also change over time. The assessment of risks and the development of strategies for dealing with these risks are achieved on an ongoing basis through the way in which the Company is controlled and managed. The risk management process seeks to enable the early identification, evaluation and effective management of the key risks facing the business 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, whether as a result of changes in customer choices or driven by global environmental circumstances that impact upon the availability and pricing of meat and poultry commodities. Adverse economic conditions may have an impact on sales or sales mix. The Company's product range is affordable to most socio-economic groups and its operational capability enables it to adapt quickly to changing consumer trends.

The directors have identified the following other principal risks and uncertainties that could have the most significant impact on the Company's value generation:

Competitive environment and customer risk there is strong competition within the sector in which the Company operates. The monitoring of key performance indicators at customer level such as service levels and customer complaints is part of the risk management process associated with this specific risk. Strong customer service, quality products, low costs and innovative product development are areas of focus to satisfy customer needs and remain strong in a competitive environment.

Food Safety all sites operate food safety systems that are regularly reviewed to ensure they remain effective, including continuing compliance with all regulatory requirements for food hygiene and safety. All food products are made to the highest standards regardless of where they are manufactured and food safety is always prioritized over economic considerations.

Raw materials – prices and supply increases in the price of raw materials can adversely impact the core profitability of the Company's business and any related shortage in supply will impact the Company's ability to maintain its service levels to customers. The Company will aim to pass on increased costs to its customers as far as is reasonable in the circumstances whilst maintaining its tight control of overhead costs to mitigate the impact on consumers. The Company maintains a high level of expertise in its buying team, enabling it to monitor raw material sources on a global basis and to negotiate forward purchase contracts where appropriate with key suppliers. The team also cultivates strong relationships with major suppliers to ensure continuity of supply at competitive prices.

Directors' report (continued)

Interest rates the Company's policy is to borrow funds to finance working capital and capital investment. Such borrowings are in the form of 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 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. In addition, the Group maintains credit insurance where necessary.

Liquidity 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.

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 should it occur and insurance programmes to mitigate the financial consequences.

People the Company is dependant on continuing to attract, retain, develop and motivate the best people with the right capabilities at all levels in the organization. Continual investment is made to ensure that incentives are established to recruit and retain the best people and to ensure that training programmes are utilised to develop employees' skills to support the ongoing and future needs of the business.

Corporate social responsibility

It is critical for the Company to conduct its activities in an ethical and responsible manner at all times. The Company prioritises its need to manage environmental, social and ethical issues. Procedures have been developed to ensure the Company remains compliant with local laws, cultures and operating conditions in the context of minimum overriding principles. These overriding principles concern the need to maintain a reputation for the highest standards of ethical business practice and conduct at all times, the appropriate treatment and development of employees, the fostering of business relationships with customers and suppliers and the impact of the Company on the communities and environments in which it operates. All employees are required to apply these overriding principles as a minimum standard of behavior and failure to comply with them may result in disciplinary action.

Ethical business practice and conduct

Competition – the Company is committed to free and fair competition and will compete strongly but honestly complying with all local competition laws.

Bribery – the Company will not condone the offering or receiving of bribes or other such facilitating payments to any person or entity for the purpose of obtaining or retaining business or influencing political decisions.

Political donations – financial donations are not permitted to political parties and in accordance with this policy none were made in either 2010 or 2011.

Confidentiality and accuracy of information – the confidentiality of information received in the course of business is always respected and will never be used for personal gain. False information will not be given in the course of commercial negotiations.

Conflict of interest – any personal interest that may prejudice, or might reasonably be deemed by others to prejudice, the impartiality of employees, must be formally declared to a senior manager. Examples of this include owning shares in business partners and personal or family involvement in trading contracts.

Business gifts and hospitality – gifts, other than items of very small intrinsic value, are not accepted. Employees who receive hospitality must not allow themselves to reach a position whereby they might be deemed by others to have been influenced in making a business decision as a consequence. However, giving and receiving reasonable business-related products, marketing materials and entertainment is permitted.

Directors' report (continued)

Employees

The Company considers its workforce to be its most important asset and abides by the following principles
Equal opportunities – it is committed to offering equal opportunities to all people in their recruitment, training and career development, having regard to their particular aptitudes and abilities Full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the Company an opportunity for retraining

Health and safety – health and safety is considered equal in importance to any other function of the Company and its business objectives

Harassment – a zero tolerance policy exists towards sexual, physical or mental harassment in the workplace It is expected that incidents of harassment are reported to the appropriate human resources manager

Communication – all employees and their representatives are briefed on all relevant matters on a regular basis

Security – the security of all staff and customers is paramount and the Company at all times takes the necessary steps to minimise risks to their safety

Customer relationships

The Company seeks to be honest and fair in all relationships with customers and to provide the standards of product and service that have been agreed whilst always offering value for money The safety and quality of products and services provided is always of paramount importance

Supplier relationships

The Company carries out its business honestly, ethically and with respect for the rights and interest of all its suppliers Bills are settled in accordance with agreed payment terms and there is ongoing co-operation with suppliers to improve quality and efficiency The Company aims to develop relationships with supplier companies that are consistent with the highest ethical business practices and specifically with respect to human rights and conditions of employment Where supplier audits show shortcomings in any of these areas, the Company strives to encourage a programme of improvement leading to compliance

Local communities

The Company recognises its responsibilities as a member of the communities in which it operates and engages with local communities wherever possible in its areas of operation

Charitable contributions

The Company made donations for charitable purposes to support the community by donating to several charities during the year which amounted in total to £2,325 (2010 £6,764)

Environmental policy

The Company regards compliance with relevant environmental laws and the adoption of responsible standards as integral parts of its business operations It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques

Directors' report (continued)

Directors

The directors who served throughout the year and up to the date of signing the financial statements were as follows

A Barnes
D Gray
K Taylor
P Tomlinson
P Willington

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 steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. For these purposes, relevant audit information means information needed by the Company's auditors in connection with preparing their report.

Independent auditors

During the year KPMG LLP resigned as auditors to the Company and the directors have appointed PricewaterhouseCoopers LLP.

On behalf of the board



K Taylor
Director

5th Floor
9 Hatton Street
London
NW8 8PL
22 March 2012

**Statements 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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

Independent auditor's 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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 9 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

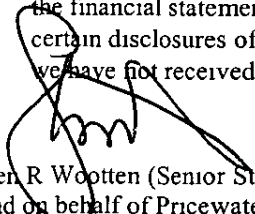
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Stephen R Wootten (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

22 March 2012

Profit and loss account

for the year ended 31 December 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|--|-------|------------------|------------------|
| Turnover | 2 | 143,720 | 135,154 |
| Cost of sales | | <u>(131,572)</u> | <u>(121,604)</u> |
| Gross profit | | 12,148 | 13,550 |
| Distribution costs | | (5,803) | (5,831) |
| Administration expenses | | <u>(4,701)</u> | <u>(5,595)</u> |
| Operating profit | | 1,644 | 2,124 |
| Profit on the disposal of fixed assets | 3 | <u>26</u> | <u>-</u> |
| Profit on ordinary activities before interest and taxation | | 1,670 | 2,124 |
| Interest payable and similar charges | 6 | <u>(103)</u> | <u>(65)</u> |
| Profit on ordinary activities before taxation | 3 | 1,567 | 2,059 |
| Tax on profit on ordinary activities | 7 | <u>(364)</u> | <u>(801)</u> |
| Profit for the financial year | | <u>1,203</u> | <u>1,258</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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents


The notes on pages 13 to 22 form part of these financial statements

Balance sheet

for the year ended 31 December 2011

| | Notes | 2011 £'000 | 2011 £'000 | 2010 £'000 | 2010 £'000 |
|--|-------|-----------------|---------------|-----------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 3,383 | | 3,128 |
| Current assets | | | | | |
| Stock | 10 | 6,997 | | 6,912 | |
| Debtors due within one year | 11 | 17,709 | | 20,787 | |
| Cash at bank and in hand | | 2,547 | | 24 | |
| | | <u>27,253</u> | | <u>27,723</u> | |
| Creditors: amounts falling due within one year | 12 | <u>(20,360)</u> | | <u>(26,181)</u> | |
| Net current assets | | | <u>6,893</u> | | <u>1,542</u> |
| Total assets less current liabilities | | | 10,276 | | 4,670 |
| Creditors: amounts falling due after more than one year | 13 | | (4,800) | | (422) |
| Provisions for liabilities and charges | 17 | | <u>(200)</u> | | <u>(175)</u> |
| Net assets | | | <u>5,276</u> | | <u>4,073</u> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 1,000 | | 1,000 |
| Profit and loss account | 20 | | <u>4,276</u> | | <u>3,073</u> |
| Total shareholders' funds | 21 | | <u>5,276</u> | | <u>4,073</u> |

The financial statements on pages 11 to 22 were approved by the board of directors on 22 March 2012 and were signed on its behalf by


K Taylor
Director

Notes to the financial statements

for the year ended 31 December 2011

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 financial statements throughout the year and preceding year.

Basis of preparation

The financial statements are presented in Sterling and rounded to the nearest thousand. They are prepared, on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and the Companies Act 2006.

Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Fletcher Bay Investment Company 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 Fletcher Bay Investment Company Limited Group. For details of other related party transactions see note 22.

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. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The charge for depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual installments over their expected useful lives as follows:

| | | |
|-----------------------|---|--|
| Leasehold buildings | - | over the shorter of their useful lives |
| Plant and machinery | - | over 7.5% to 15% years |
| Fixtures and Fittings | - | over 15% to 50% years |

Research and development

Research and development expenditure is charged to the profit and loss account in full in the year in which it is 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. Provision is made for obsolete, slow-moving or defective items where appropriate.

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

Notes (continued)

1. Accounting policies (continued)

that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets and liabilities have been recognised in these financial statements using future corporation tax rates.

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 or forward contract rates where appropriate. 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 Fletcher Bay Investment Company Limited. The Company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme on a consistent and reasonable basis, and therefore, as required by FRS 17 'Retirement benefits', accounts for this 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.

Financial liabilities and equity

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 group after deducting all of its liabilities.

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. Profit on ordinary activities before taxation

Profit on ordinary activities before tax is stated after charging

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Auditors' remuneration- audit services | 27 | 27 |
| Depreciation of tangible fixed assets (note 9) | | |
| - owned | 489 | 435 |
| - assets held under finance leases and hire purchase contracts | 277 | 217 |
| Operating lease rentals | | |
| - plant and machinery | 1,192 | 1,233 |
| - land and buildings | 731 | 739 |
| Profit on disposal of fixed assets | 26 | - |

4. Directors' remuneration

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Emoluments | 308 | 437 |
| Company contributions to money purchase pension schemes | 15 | 18 |
| | <u>323</u> | <u>455</u> |

The number of directors who

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Are members of a money purchase pension scheme | 2 | 2 |
| Are members of a defined benefit pension scheme | 1 | 1 |
| | <u>3</u> | <u>3</u> |

5. Employment

The average monthly number of persons (including executive directors) employed by the Company during the year was

| | 2011 £'000 | 2010 £'000 |
|------------------------------|---------------|---------------|
| Administration | 35 | 32 |
| Selling and distribution | 112 | 100 |
| Production and manufacturing | 327 | 314 |
| | <u>474</u> | <u>446</u> |

Notes (continued)

5. Employment (continued)

Their aggregate remuneration comprised

| | 2011 £'000 | 2010 £'000 |
|-------------------------------|---------------|---------------|
| Wages and salaries | 11,555 | 11,337 |
| Social security costs | 1,009 | 937 |
| Other pension costs (note 18) | 215 | 249 |
| | <u>12,779</u> | <u>12,523</u> |

6. Interest payable and similar charges

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Interest payable on overdrafts and bank loans | 54 | 12 |
| Finance lease interest | 49 | 53 |
| | <u>103</u> | <u>65</u> |

7 Tax on profit on ordinary activities

The tax charge represents

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Current tax | | |
| UK corporation tax at 26.5% (2010: 28%) | 462 | 599 |
| Adjustment in respect of prior periods | (32) | 172 |
| Total current tax | <u>430</u> | <u>771</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (66) | 30 |
| Total deferred tax | <u>(66)</u> | <u>30</u> |
| Total tax on profit on ordinary activities | <u>364</u> | <u>801</u> |

Notes (continued)

7. Tax on profit on ordinary activities (continued)

The differences 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

| | 2011 | 2010 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Profit on ordinary activities before tax | 1,567 | 2,059 |
| Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK at 26.5% (2010: 28%) | 415 | 577 |
| Effects of | | |
| Expenses not deductible for tax purposes | 30 | 32 |
| Accelerated capital allowances and other timing differences | 17 | (10) |
| Adjustment to tax charge in respect of prior periods | (32) | 172 |
| Current tax charge for the year | 430 | 771 |

Factors that may affect future tax charges

During the year, as a result of the change in the UK main corporation tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured.

Further reductions to the main rate were proposed in the March 2012 UK budget statement, which will reduce the main corporation tax rate to 24% from 1 April 2012, with further reductions of 1% per annum to 22% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

8. Dividends

| | 2011 | 2010 |
|-------------------------|--------------|--------------|
| | £'000 | £'000 |
| Ordinary dividends paid | - | 917 |

Notes (continued)

9. Tangible fixed assets

| | Leasehold properties | Plant, fixtures and vehicles | Total |
|---------------------------------|-------------------------|---------------------------------------|---------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At beginning of year | 1,327 | 7,763 | 9,090 |
| Additions | 7 | 1,019 | 1,026 |
| Disposals | - | (37) | (37) |
| At end of year | 1,334 | 8,745 | 10,079 |
| Accumulated depreciation | | | |
| At beginning of year | 98 | 5,864 | 5,962 |
| Charge for the year | 40 | 726 | 766 |
| Depreciation on disposals | - | (32) | (32) |
| At end of year | 138 | 6,558 | 6,696 |
| Net book value | | | |
| At 31 December 2011 | 1,196 | 2,187 | 3,383 |
| At 31 December 2010 | 1,229 | 1,899 | 3,128 |

Included in the total net book value of plant, machinery and fixtures is £1,205,000 (2010 £1,017,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these leases was £277,000 (2010 £217,000).

10. Stock

| | 2011 £'000 | 2010 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 6,997 | 6,912 |
| | 6,997 | 6,912 |

11 Debtors

| | 2011 £'000 | 2010 £'000 |
|------------------------------------|---------------|---------------|
| Due within one year | | |
| Trade debtors | 16,050 | 18,993 |
| Other debtors | 867 | 998 |
| Prepayments and accrued income | 616 | 686 |
| Deferred tax recoverable (note 16) | 176 | 110 |
| | 17,709 | 20,787 |

Notes (continued)

12. Creditors: amounts falling due within one year

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Bank loans and overdrafts | - | 2,862 |
| Obligations under finance leases and hire purchase contracts (note 15) | 419 | 355 |
| Trade creditors | 17,290 | 18,069 |
| Amounts owed to group undertakings | 41 | 202 |
| Corporation tax payable | 52 | 599 |
| Other taxation and social security | 321 | 301 |
| Other creditors | 2,155 | 3,717 |
| Accruals and deferred income | 82 | 76 |
| | <u>20,360</u> | <u>26,181</u> |

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

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Bank loans and overdrafts | 4,400 | - |
| Obligations under finance leases and hire purchase contracts (note 15) | 400 | 422 |
| | <u>4,800</u> | <u>422</u> |

Amounts owed to group undertakings are unsecured with interest fixed at the time of borrowing

14. Borrowings

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| In the first year or on demand | | |
| Bank loans and overdrafts | - | 2,862 |
| Finance leases and hire purchase contracts | 419 | 355 |
| In more than one year but not more than two years | | |
| Finance leases and hire purchase contracts | 298 | 269 |
| In more than two years but not more than five years | | |
| Bank loans and overdrafts | 4,400 | - |
| Finance leases and hire purchase contracts | 102 | 154 |
| | <u>5,219</u> | <u>3,640</u> |

Interest on the bank overdraft is payable at 1.25% above bank base rate

The Company maintains a discreet secured invoice discounting facility for £7,500,000 (2010 £7,500,000). This facility is an evergreen facility with three months' notice period and is dependent upon the level of trade debtors. The amount outstanding at 31 December 2011 was £4,399,958 (2010 £1,146,415). Interest is payable at 1.5% above bank base rate.

Notes (continued)

15. Financial commitments

a) Operating lease commitments

| | 2011 Land and buildings £'000 | 2011 Other £'000 | 2010 Land and buildings £'000 | 2010 Other £'000 |
|----------------------------|--|------------------------|--|------------------------|
| Within one year | 62 | 480 | 9 | 85 |
| Between one and five years | 39 | 606 | 38 | 1,013 |
| After five years | 631 | - | 681 | - |
| | <u>732</u> | <u>1,086</u> | <u>728</u> | <u>1,098</u> |

b) Finance lease commitments

Finance leases are payable as follows

| | 2011 £'000 | 2010 £'000 |
|----------------------------|---------------|---------------|
| Within one year | 450 | 395 |
| Between one and five years | 415 | 443 |
| | <u>865</u> | <u>838</u> |
| Less future finance charge | (46) | (60) |
| | <u>819</u> | <u>778</u> |

16. Deferred tax

The analysis of deferred tax balances for the Company is as follows

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Accelerated capital allowances | 154 | 96 |
| Other timing differences | 22 | 14 |
| Deferred tax asset | <u>176</u> | <u>110</u> |
| Deferred tax asset at the beginning of the year | 110 | 140 |
| Deferred tax credit/(debit) in profit and loss account (note 7) | 66 | (30) |
| Deferred tax asset at the end of the year | <u>176</u> | <u>110</u> |

Deferred tax assets and liabilities have been recognised in these financial statements using future corporation tax rates

Notes (continued)

17. Provisions

| | Dilapidations £'000 |
|---------------------------|--------------------------------|
| At beginning of year | 175 |
| Created during the period | 25 |
| At end of year | <u>200</u> |

Provision has been made for the requirement to make repairs on dilapidations under the terms of certain property leases. It is expected that the majority of this expenditure will be incurred within three years of the balance sheet date.

18. Pension scheme

The Company participates in both defined benefit and defined contribution group personal pension schemes. As noted in the accounting policies note, the pension cost charge for the year represents contributions payable by the company to the schemes and to employees' personal pension plans. Further disclosure of the group pension schemes are shown within the accounting policies note and in the consolidated financial statements of Fletcher Bay Investment Company Limited. The total pension cost charge for the year amounted to £215,000 (2010 £249,000). The amounts paid in respect of the group's defined benefit scheme were £174,000 (2010 £213,000) and in respect of the group's defined contribution scheme was £41,000 (2010 £36,000). Outstanding contributions at year end were £5,372 (2010 £nil).

19. Called up share capital

| | 2011 £'000 | 2010 £'000 |
|--------------------------------------|-----------------------|-----------------------|
| <i>Allotted and fully paid</i> | | |
| 1,000,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |

20. Movement on reserves

| | Profit and loss account £'000 |
|---------------------|--|
| At 1 January 2011 | 3,073 |
| Profit for the year | 1,203 |
| At 31 December 2011 | <u>4,276</u> |

Notes (continued)

21. Reconciliation of movements in equity shareholders' funds

| | 2011 £'000 | 2010 £'000 |
|---------------------------------|---------------|---------------|
| Profit for the financial year | 1,203 | 1,258 |
| Dividends paid | - | (917) |
| Movement on shareholders' funds | <u>1,203</u> | <u>341</u> |
| Opening shareholders' funds | <u>4,073</u> | <u>3,732</u> |
| Closing shareholders' funds | <u>5,276</u> | <u>4,073</u> |

22 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 2011 was £11.5 million (2010: £14.5 million).

23. Related party transactions

The Company sold £432,190 (2010: £506,011) 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 £40,019 (2010: £124,318) was outstanding at the end of the year.

24. Ultimate and immediate parent undertaking

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 Fletcher Bay Group 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 Fletcher Bay Group Limited. Copies of those consolidated financial statements may be obtained from the registered office.