

**Company Registration No. 5104448**

**International Produce Limited**

**Report and Financial Statements**

**27 December 2008**

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COMPANIES HOUSE

# **International Produce Limited**

## **Report and financial statements 2008**

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# **International Produce Limited**

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

J Punnett  
FB Walton  
K Gray  
M Owen  
D Kearney

#### **Secretary**

M Owen

#### **Registered Office**

West Marsh Road  
Spalding  
Lincolnshire  
PE11 2BB

#### **Bankers**

Barclays Bank PLC  
10 Hall Place  
Spalding  
Lincolnshire  
PE11 1SR

#### **Auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Birmingham  
United Kingdom

# **International Produce Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the 52 week period ended 27 December 2008. Comparatives are for the 52 week period ended 29 December 2007.

### **Enhanced business review and Principal activities**

The Company is a 76% owned subsidiary undertaking of the Bakkavör Group and its principal activities are the procurement and marketing of fresh produce. There have not been any significant changes in the Company's principal activities in the period under review. The directors are satisfied with the results and achievements in the period to 27 December 2008 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

As shown in the Company's income statement on page 8, the Company's sales amounting to £45,905,000 (2007: £41,030,000) have increased by 11.9% over the prior period.

The profit for the period, after taxation, amounted to £nil (2007: £nil). Ordinary dividends of £nil (2007: £nil) were paid during the period.

EBITDA (Earnings before interest depreciation and amortisation) of £3,862,000 (2007: £3,702,000) has increased by 4.3% over the prior period.

The balance sheet on page 9 and 10 of the financial statements shows shareholder's funds amounting to £nil (2007: £nil) and that the Company's financial position at the period end is in, net asset terms, consistent with the prior period and in cash terms, secure. Details of amounts owed to group companies are shown in notes 17 and 27.

There have been no significant events since the balance sheet date.

On 13 July 2009, the option held by Asda to purchase the Company, can be exercised following 3 months notice.

The Bakkavör London Limited Group (the smallest set of group accounts within which the Company is consolidated) manages its operations on a segmental basis. The business of the Company falls within the 'Produce' segment. The Produce division represents 11% of the group's sales. This division sells fresh produce to retail customers in the UK, their products range from whole head lettuce to avocados to fruit. The group has incurred a downturn in fresh produce with sales down by 6.3% against a sector growth of 4.6%. Produce EBITDA has decreased by £7.1 million and 59%, with like-for-like decline of 59%. As a result EBITDA margin has fallen from 5% to 2%.

### **Principal risks and uncertainties**

The Company is exposed to a number of risks and uncertainties across a range of strategic, operational and financial areas. The Company continually reviews its internal control and risk management processes and is fully aligned with the processes set out by the board of Bakkavör hf, the Company's ultimate parent Company.

The key risk areas, as identified by Bakkavör hf, include Growth, Food Safety, Consumer and Shareholder Value. International Produce Limited is fully aligned to ensure that these areas of risk are fully managed in order to ensure the continuing long term sustainability and profitability of the Group.

The Company's activities expose it to a number of financial risks as follows:

#### *Credit risk*

The Company's credit risk is primarily attributable to its trade receivables and are with one customer. The amounts presented in the balance sheet are net of allowances for doubtful receivables, the directors consider that the carrying value of these assets represents their recoverable amount.

# **International Produce Limited**

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

### **Principal risks and uncertainties (continued)**

#### *Liquidity risk*

The directors review the forecasts for the business at least quarterly to determine the level of finance required to allow the Company to meet its financial obligations. When the amounts required have been determined the directors ensure that adequate finance is available from cash reserves to ensure that suitable liquidity levels are maintained in line with the Company's forecasts.

#### *Interest rate risk*

The Company is financed by cash flows and has no third party debt. It therefore has no interest rate exposure.

#### *Foreign currency risk*

Purchases from certain suppliers are made in Euros and US Dollars and therefore the Company is exposed to the movement in the Euro to Pound exchange rate and the US Dollar to Pound exchange rate.

### **Going concern and future outlook**

The Company is financed by cash reserves. The directors have reviewed the historic trading performance of the business and prepared forecasts for the next two years which show that the Company should have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Therefore the directors believe it appropriate to prepare the financial statements on a going concern basis.

### **Environment**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the groups activities.

### **Employees**

Details of the number of employees and related costs can be found in note 7 to the financial statements.

#### *Disabled employees*

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### *Employee Consultation*

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the intranet and a special edition for employees of the Group's annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. In addition, all employees receive an annual bonus related to the overall profitability of the Company.

### **Supplier payment policy**

The Company's policy, which is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade payables of the Company at 27 December 2008 were equivalent to 36 days (2007: 40 days) based on the average daily amount invoiced by suppliers during the period.

# **International Produce Limited**

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

### **Directors and their interests**

The directors who served throughout the period except as noted, were as follows:

J Punnett  
FB Walton  
K Gray  
I Highlands (resigned 30 June 2008)  
M Owen (appointed 30 June 2008)  
D Kearney was appointed to the board on 18 February 2009.

### **Auditors**

Each of the persons who is a director at the date of approval of these financial statements confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'J Punnett', written over a horizontal line.

J Punnett  
Director

7 July 2009

# **International Produce Limited**

## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of International Produce Limited**

We have audited the financial statements of International Produce Limited for the 52 weeks ended 27 December 2008 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union 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. 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 transactions is not disclosed.

We read the other information contained in the directors' report and other information contained in the financial statements as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the financial statements.

### **Basis of audit opinion**

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

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



## **Independent auditors' report to the members of International Produce Limited (Continued)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 27 December 2008 and of its result 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 Directors' Report is consistent with the financial statements.

*Deloitte* *up*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
Birmingham, UK

*24 July 2009*

# International Produce Limited

## Income statement 52 weeks ended 27 December 2008

		52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
	Note		
Revenue	4	45,905	41,030
Cost of sales		(33,333)	(28,663)
Gross profit		12,572	12,367
Other operating income	4	467	613
Administrative expenses		(9,523)	(9,524)
Operating profit		3,516	3,456
Investment revenue	9	225	319
Finance costs	10	(2,672)	(2,634)
		(2,447)	(2,315)
Profit before taxation		1,069	1,141
Tax	11	(1,069)	(1,141)
Net profit attributable to equity holders		-	-

All results relate to continuing operations.

The accompanying notes are an integral part of this income statement.

## Statement of changes in equity 52 weeks ended 27 December 2008

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Balance at beginning of period	-	-
Net profit for the period	-	-
Balance at end of period	-	-

Equity comprises retained earnings.

# International Produce Limited

## Balance sheet 27 December 2008

		27 December 2008 £'000	29 December 2007 £'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	12	509	362
Investment in subsidiaries	13	2	2
Deferred tax asset	16	159	62
		<u>670</u>	<u>426</u>
<b>Current assets</b>			
Inventories	14	2,790	5,890
Trade and other receivables	15	24,471	19,320
Cash and cash equivalents	18	2,002	12,958
		<u>29,263</u>	<u>38,168</u>
<b>Total assets</b>		<u>29,933</u>	<u>38,594</u>
<b>Current liabilities</b>			
Trade and other payables	17	(29,833)	(38,494)
<b>Total assets less current liabilities</b>		<u>100</u>	<u>100</u>
<b>Non-current liabilities</b>			
Ordinary share capital	19	(100)	(100)
<b>Total liabilities</b>		<u>(29,933)</u>	<u>(38,594)</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>


# International Produce Limited

## Balance sheet 27 December 2008

		27 December 2008 £'000	29 December 2007 £'000
<b>Equity</b>	<b>Note</b>		
Share capital	20	-	-
Retained earnings	21	-	-
<b>Total equity</b>		<u>-</u>	<u>-</u>

The financial statements were approved and authorised for issue by the Board of Directors on 7 July 2009.

Signed on behalf of the Board of Directors

  
J Punnett  
Director

The accompanying notes are an integral part of this balance sheet.

## International Produce Limited

### Cash flow statement 52 weeks ended 27 December 2008

		52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
	Note		
Net cash (used in) / from operating activities	22	(10,463)	132
Investing activities			
Purchases of property, plant and equipment		(493)	(48)
Net cash (used in) / from investing activities		(493)	(48)
Net (decrease) / increase in cash and cash equivalents		(10,956)	84
Cash and cash equivalents at start of period		12,958	12,874
Cash and cash equivalents at end of period		2,002	12,958

# International Produce Limited

## Notes to the accounts

52 weeks ended 27 December 2008

### 1. General information

International Produce Limited is a Company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

In the current year, the Company has adopted International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' which is effective for annual reporting periods beginning on or after 1 January 2007. The impact of the adoption of IFRS 7 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

<i>IFRS 1 (Revised)</i>	<i>First time adoption of International Financial Reporting Standards</i>
<i>IFRS 2 (Revised)</i>	<i>Share-based payment</i>
<i>IFRS 3 (Revised)</i>	<i>Business combinations</i>
<i>IFRS 5 (Revised)</i>	<i>Non-current assets held for sale and discontinued operations</i>
<i>IFRS 7 (Revised)</i>	<i>Financial Instruments: Disclosures</i>
<i>IFRS 8</i>	<i>Operating segments</i>
<i>IAS 1 (Revised)</i>	<i>Presentation of financial statements</i>
<i>IAS 16 (Revised)</i>	<i>Property, plant and equipment</i>
<i>IAS 23 (Revised)</i>	<i>Borrowing costs</i>
<i>IAS 27 (Revised)</i>	<i>Consolidated and separate financial statements</i>
<i>IAS 28 (Revised)</i>	<i>Investments in associates</i>
<i>IAS 31 (Revised)</i>	<i>Interests in joint ventures</i>
<i>IAS 32 (Revised)</i>	<i>Financial instruments: Presentation</i>
<i>IAS 36 (Revised)</i>	<i>Impairment of assets</i>
<i>IAS 38 (Revised)</i>	<i>Intangible assets</i>
<i>IAS 39 (Revised)</i>	<i>Financial instruments: Recognition and Measurement</i>
<i>IAS 40 (Revised)</i>	<i>Investment property</i>
<i>IFRIC 9</i>	<i>Reassessment of Embedded Derivatives</i>
<i>IFRIC 12</i>	<i>Service concession arrangements</i>
<i>IFRIC 13</i>	<i>Customer loyalty programmes</i>
<i>IFRIC 14</i>	<i>IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
<i>IFRIC 15</i>	<i>Agreements for the Construction of Real Estate</i>
<i>IFRIC 16</i>	<i>Hedges of a net investment in a foreign operation</i>
<i>IFRIC 17</i>	<i>Distributions of non-cash assets to owners</i>
<i>IFRIC 18</i>	<i>Transfers of assets from customers</i>

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 2. Significant accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The Company is exempt from preparing group accounts under s228 of Companies Act 1985 as it is a 76% owned subsidiary of Bakkavör London Limited and is included in the consolidated accounts of that Company which are publicly available. Therefore, these financial statements present information about the Company and not its group.

The Company is financed by cash reserves. The directors have reviewed the historic trading performance of the business and prepared forecasts for the next two years which show that the Company should have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Therefore the directors believe it appropriate to prepare the financial statements on a going concern basis.

#### Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

#### Operating profit

Operating profit is stated before investment income and finance costs.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents commission receivable under agency agreements in respect of goods and services procured in the normal course of business, net of discounts, VAT and other sales-related taxes.

Other operating income is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### Property, plant and equipment

All property, plant and equipment is recorded at cost less accumulated depreciation and any recognised provision for impairment.

Depreciation is provided on all plant and equipment, at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant and equipment	-	5% to 33% per annum straight line
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Most plant and equipment is written off over 3 years (33%).

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

# **International Produce Limited**

## **Notes to the accounts (continued)** **52 weeks ended 27 December 2008**

### **2. Significant accounting policies (continued)**

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Leasing transactions**

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.



# **International Produce Limited**

## **Notes to the accounts (continued)** **52 weeks ended 27 December 2008**

### **2. Significant accounting policies (continued)**

#### **Retirement benefit costs (continued)**

The Company also participates in the Bakkavör Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

#### **Impairment of tangible fixed assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

#### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of issue costs.

#### **Financial assets**

Financial assets held by the Company are classified as available for sale or loans and receivables at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Any gains or losses in assets held as available for sale arising from a change in fair value are recognised in the income statement for the period.

# **International Produce Limited**

## **Notes to the accounts (continued)** **52 weeks ended 27 December 2008**

### **2. Significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

##### **Impairment of financial assets**

Financial assets, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Provisions relating to the impairment of financial assets are made on a specific basis, not a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the asset at the date the impairment is reversed and does not exceed what the amortised cost would have been had the impairment not been recognised.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

##### **Financial liabilities**

Financial liabilities held by the Company are classified as other financial liabilities at amortised cost.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to its net carrying amount.

# **International Produce Limited**

## **Notes to the accounts (continued)** **52 weeks ended 27 December 2008**

### **2. Significant accounting policies (continued)**

#### **Foreign currencies**

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in pounds sterling, which is the functional currency of the Company.

In preparing the financial statements of the Company transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

### **3. Accounting estimates and judgements**

#### **Critical accounting judgements and key sources of estimation uncertainty in applying the Company's accounting policies**

The preparation of the financial statements in conformity with adopted IFRS requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period then ended. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

Estimates are used in the accounting for allowances for uncollectible receivables, depreciation, amortisation and impairment, pensions, taxes and contingencies. Estimates and assumptions are reviewed periodically and effects of revisions are reflected in the financial statements in the period that an adjustment is determined to be required.

In the process of applying the Company's accounting policies, which are described in note 2, management has not had to make any judgements that have a significant effect on the amounts recognised in the financial statements.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 4. Revenue

Turnover, which excludes value added tax, represents the net invoiced value of services relating to the principal activity of the Company, provided to UK customers.

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Sale of goods	45,905	41,030
Other operating income	467	613
Investment revenue	225	319

### 5. Profit for the period

Profit for the period is stated after charging:

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Depreciation of owned plant and equipment	346	246
Cost of inventory recognised as an expense	33,333	28,663
Staff costs (see note 7)	17,297	16,581

The analysis of auditors' remuneration is as follows:

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	11	10

There are no other fees payable to the Company's auditors for non audit services.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 6. Segmental results

All of the Company's revenue and results were derived from the completion of its principal activity within the UK. Accordingly, no segmental analysis of results is presented.

### 7. Staff costs

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Wages and salaries	15,580	14,932
Social security costs	1,530	1,436
Other pension costs (see note 25)	187	213
	<u>17,297</u>	<u>16,581</u>

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

	52 weeks ended 27 December 2008	52 weeks ended 29 December 2007
Production staff	573	391
Administrative staff	158	330
	<u>731</u>	<u>721</u>

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 8. Directors emoluments

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Emoluments	<u>248</u>	<u>230</u>
Value of Company pension contributions to money purchase schemes	<u>19</u>	<u>20</u>
Members of money purchase pension schemes	<u>3</u>	<u>2</u>
The amounts in respect of the highest paid director were as follows:		
	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Emoluments	<u>143</u>	<u>158</u>
Value of Company pension contributions to money purchase schemes	<u>11</u>	<u>13</u>

Only 3 (2007: 2) Directors received remuneration from this Company, or any other Company, for services to the Company.

The remaining Directors received no emoluments for their services to the Company in either financial period.

### 9. Investment revenue

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Loans and receivables at amortised cost:		
Interest on bank deposits	<u>225</u>	<u>319</u>

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 10. Finance costs

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Interest payable on ordinary share capital	<u>2,672</u>	<u>2,634</u>

### 11. Tax

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Current tax:		
UK corporation tax	1,166	1,151
Deferred tax (note 16)	<u>(97)</u>	<u>(10)</u>
	<u>1,069</u>	<u>1,141</u>

The charge for the period can be reconciled to the profit per the income statement as follows:

	52 weeks ended 27 December 2008		52 weeks ended 29 December 2007	
	£'000	%	£'000	%
<b>Profit before tax</b>	<u>1,069</u>	<u>100</u>	<u>1,141</u>	<u>100</u>
Tax at the UK corporation tax rate of 28.5% (2007: 30.0%)	305	28.5	342	30
Tax effect of expenses that are not deductible in determining taxable profit	764	71.5	790	69
Prior period adjustment	-	-	9	1
<b>Tax expense and effective tax rate for the period</b>	<u>1,069</u>	<u>100</u>	<u>1,141</u>	<u>100</u>

With effect from 1 April 2008 the full rate of corporation tax decreased from 30% to 28%, hence the rate for the period is a blended rate.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 12. Plant and equipment

	<b>Plant and equipment £'000</b>
<b>Cost</b>	
At 31 December 2006	1,377
Additions	48
	<hr/>
At 29 December 2007	1,425
Additions	493
	<hr/>
At 27 December 2008	1,918
	<hr/>
<b>Accumulated depreciation</b>	
At 31 December 2006	(817)
Charge for the period	(246)
	<hr/>
At 29 December 2007	(1,063)
Charge for the period	(346)
	<hr/>
At 27 December 2008	(1,409)
	<hr/>
<b>Carrying amount</b>	
At 27 December 2008	509
	<hr/>
At 29 December 2007	362
	<hr/>

At 27 December 2008, the Company had entered into contractual commitments for the acquisition of plant and equipment amounting to £nil (2007: £nil).



# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 13. Investments

	Shares in group companies £'000
<b>Cost and net book value</b>	
At 29 December 2007 and 27 December 2008	2

The Company's investment in its subsidiary undertaking represents the cost of acquisition of the whole of the ordinary share capital of International Produce Spain S.L. The Company is operating, incorporated and registered in Spain, and its principal activity is to provide logistical management services to International Produce Limited.

### 14. Inventories

	27 December 2008 £'000	29 December 2007 £'000
Produce and raw materials	2,790	5,890

### 15. Trade and other receivables

	27 December 2008 £'000	29 December 2007 £'000
Amounts receivable from trade customers	20,987	15,156
Amounts receivable from group companies	2	206
Corporation tax recoverable	-	510
Other debtors	777	1,015
Prepayments and accrued income	2,705	2,433
	24,471	19,320

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 15. Trade and other receivables (continued)

The following table is an ageing analysis of trade receivables that are past due.

Ageing of receivables past due	27	29
	December	December
	2008	2007
	£'000	£'000
Not past due	12,129	7,939
Past due by 1 - 30 days	8,483	6,374
Past due by 31 - 60 days	271	33
Past due by 61 - 90 days	6	279
Past due by more than 90 days	98	531
	<u>20,987</u>	<u>15,156</u>

The Company does not charge any interest on its trade receivables regardless of their ageing and does not hold any collateral or credit enhancements against the value of its trade receivables. No provisions are considered necessary against the amounts past due as they are considered to be recoverable. This has been determined by reference to past default experience.

The average credit period taken on sales of goods is 29 days (2007: 27 days).

The following table is an analysis of the Company's trade receivables by currency.

Receivables by currency	27	29
	December	December
	2008	2007
	£'000	£'000
GBP	20,179	14,072
US\$	658	717
Euro	150	367
	<u>20,987</u>	<u>15,156</u>

## International Produce Limited

### Notes to the accounts (continued) 52 weeks ended 27 December 2008

#### 16. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000
At 31 December 2006	52
Credit to income	10
At 29 December 2007	62
Credit to income	97
As 27 December 2008	159

With effect from 1 April 2008 the full rate of corporation tax decreased from 30% to 28%.

A deferred tax asset has been recognised to the extent that it is highly probable that taxable profits will be available against which the deductible temporary differences can be utilised.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 17. Trade and other payables

	27 December 2008 £'000	29 December 2007 £'000
Trade payables	23,058	34,127
Amounts owed to group undertakings	12	1
Corporation tax	558	1,151
Other taxation and social security costs	44	193
Accruals and deferred income	6,161	3,022
	<u>29,833</u>	<u>38,494</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (2007: 40 days). No interest is incurred against trade payables.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

The following table is an analysis of the Company's trade payables by currency.

Payables by currency	27 December 2008 £'000	29 December 2007 £'000
GBP	11,724	16,441
US\$	1,119	261
Euro	10,215	17,425
	<u>23,058</u>	<u>34,127</u>

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 18. Financial instruments

#### Categories of Financial Instruments

	27 December 2008 £'000	29 December 2007 £'000
<b>Financial assets</b>		
Loans and receivables at amortised cost:		
Amounts receivable from trade customers	20,987	15,156
Amounts receivable from group companies	2	206
Other debtors	777	1,015
Cash and cash equivalents	2,002	12,958
	<u>23,768</u>	<u>29,335</u>

#### Financial liabilities

##### Other Financial liabilities at amortised cost:

Trade payables	23,058	34,127
Amounts owed to group undertakings	12	1
	<u>23,070</u>	<u>34,128</u>

#### Cash and cash equivalents

	27 December 2008 £'000	29 December 2007 £'000
Cash and cash equivalents	<u>2,002</u>	<u>12,958</u>

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

#### Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amount presented in the balance sheet are net of allowances for doubtful receivables. The allowances amounted to £nil (2007: £nil) at 27 December 2008. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 18. Financial instruments (continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The fair value of the financial assets approximates to their carrying value due to the short term nature of the receivables.

The fair value of other financial liabilities at amortised cost approximates to their carrying value. The trade payables approximate to their fair value due to the short term nature of the payables.

#### Foreign currency risk management

Foreign currency risk management occurs at a transactional level on revenues and purchases in foreign currencies.

During the 52 week period to 27 December 2008, the Euro strengthened against sterling by 22.8%, with the closing rate at €1.0465 compared to €1.3553 at the prior period end. The average rate for the 52 week period to 27 December 2008 was €1.2588.

In the same period the US dollar , also strengthened against sterling by 26.2%, with the closing rate at \$1.4708 compared to \$1.9929 at the prior period end. The average rate for the period to 27 December 2008 was \$1.8536.

#### Foreign currency sensitivity analysis

A sensitivity analysis has been performed on the financial assets and liabilities to a sensitivity of 10% increase/decrease in the exchange rates. A 10% increase/decrease has been used, and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where sterling strengthens 10% against the relevant currency. For a 10% weakening of sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	<b>Profit or loss</b>	
	<b>10% Strengthening</b>	
	<b>27</b>	<b>29</b>
	<b>December</b>	<b>December</b>
	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Euro	910	1,538
USD	42	(41)

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 18. Financial instruments (continued)

#### Credit risk management

Credit risk refers to the risk of financial loss to the Company if a counterparty defaults on its contractual obligations of the loans and receivables at amortised cost held in the balance sheet. The Company's main credit risk is attributable to its trade receivables, which are with one customer.

#### Liquidity risk management

Liquidity risk refers to the risk that the Company may not be able to fund the day to day running of the business. Liquidity risk is reviewed by the board on a regular basis to ensure that adequate cash reserves are available when required. The Company manages liquidity risk by monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### 19. Non-current liabilities

	27 December 2008 £'000	29 December 2007 £'000
Ordinary share capital	100	100

### 20. Share capital

	27 December 2008 £'000	29 December 2007 £'000
Authorised		
Ordinary shares of £1 each	100	100

Allotted, called-up and fully paid	27 December 2008		29 December 2007	
	No	£'000	No	£'000
Ordinary shares of £1 each	100,000	100	100,000	100

The ordinary shares carry rights for an annual interest payment and have therefore been classified as a debt instrument (note 19).

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 21. Retained earnings

	£'000
Balance at 31 December 2006	-
Net profit for the period	-
Balance at 29 December 2007	-
Net profit for the period	-
Balance at 27 December 2008	-

### 22. Notes to the cash flow statement

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Operating profit for the period	3,516	3,456
Adjustments for:		
Depreciation of plant and equipment	346	246
Operating cash flows before movements in working capital	3,862	3,702
Decrease / (increase) in inventories	3,100	(2,723)
(Increase) in receivables	(5,661)	(2,721)
(Decrease) / increase in payables	(8,068)	5,005
Cash (used) / generated by operations	(6,767)	3,263
Income taxes paid	(1,249)	(498)
Interest paid	(2,672)	(2,952)
Interest received	225	319
Net cash (used by) / generated from operating activities	(10,463)	132

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.



# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 23. Operating lease arrangements

	52 weeks ended 27 December 2008 £'000	52 weeks ended 29 December 2007 £'000
Minimum lease payments under operating leases recognised as an expense in the period	3,741	3,671

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	27 December 2008 £'000	29 December 2007 £'000
Within one year	2,879	3,952
In the second to fifth years inclusive	102	2,058
	2,981	6,010

The Company lease various offices and operational facilities under non-cancellable operating lease arrangements. The leases have various terms, escalation clauses and renewal rights. The Company also leases plant and machinery under non-cancellable operating lease agreements.

### 24. Contingent liabilities

There were no legal claims or potential claims against the Company at the period ended 27 December 2008. Provision has been made for all liabilities which are expected to materialise.

### 25. Retirement benefit schemes

The two main schemes, one defined contribution scheme and the other a funded defined benefit scheme, are open to employees joining the Company (full or part time).

#### Defined contribution scheme

The total cost charged to income of £22,132 (2007: £24,489) represents contributions payable to this scheme by the Company at rates specified in the rules of the plans. As at 27 December 2008, contributions of £nil (2007: £nil) due in respect of the current reporting period had not been paid over to the schemes.

#### Defined benefit scheme

The Company participates in the Bakkavör Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 25. Retirement benefit schemes (continued)

Contributions to the scheme for the period were £164,888 (2007: £188,512).

The following is an extract of the pensions note taken from the group accounts.

A full actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31 March 2007 and was updated for IAS 19 purposes to 27 December 2008 by a qualified independent actuary. The projected unit cost method was used to value the assets and liabilities and was conducted by Lloyd Cleaver a qualified independent actuary with Watson Wyatt.

The major assumptions used in this valuation were:

	27 December 2008	29 December 2007
Expected rate of salary increases	4.30%	4.90%
Future pension increases	2.80%	3.40%
Expected return on scheme assets	7.19%	7.36%
Discount rate applied to scheme liabilities	6.50%	5.80%
Inflation assumption	2.80%	3.40%

The mortality table is based on the PMA92/PFA92 tables rated down one year with future medium cohort improvements, giving life expectancies as follows:

	Males expected future lifetime	Females expected future lifetime
Member aged 45 in 2007	41.5	44.5
Member aged 65 in 2007	21.0	24.1

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 1%	Decrease by 22%
Rate of inflation	Increase by 1%	Increase by 20%
Rate of salary growth	Increase by 1%	Increase by 4.2%
Rate of mortality	Increased by 1 year	Increase by 2.4%

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 25. Retirement benefit schemes (continued)

Amounts recognised in income in respect of these defined benefit schemes are as follows:

£million	52 week period ended 27 December 2008	52 week period ended 29 December 2007
Current service cost	(5.3)	(4.0)
Interest cost	(8.6)	(7.1)
Expected return on scheme assets	10.3	10.1
	<u>(3.6)</u>	<u>(1.0)</u>

All of the charge for the period has been included in administrative expenses. Actuarial gains and losses have been reported in the statement of recognised income and expense.

The actual return on scheme assets was £(41.0) million (2007: £9.9 million).

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

£million	27 December 2008	29 December 2007
Fair value of scheme assets	127.9	168.6
Present value of defined benefit obligations	<u>(127.5)</u>	<u>(150.6)</u>
Surplus in scheme	0.4	18.0
Related deferred taxation liability	<u>(0.1)</u>	<u>(5.0)</u>
	<u>0.3</u>	<u>13.0</u>

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

# International Produce Limited

## Notes to the accounts (continued) 52 weeks ended 27 December 2008

### 25. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations were as follows:

£million	27 December 2008	29 December 2007
At 29 December / 30 December	(150.6)	(140.6)
Current service cost	(5.3)	(4.0)
Interest cost	(8.6)	(7.1)
Contributions from scheme members	(2.0)	(2.0)
Benefits paid	4.8	4.5
Gain on change of assumptions	29.3	7.3
Experience gain / (loss)	4.9	(8.7)
At 27/29 December	<u>(127.5)</u>	<u>(150.6)</u>

Movements in the fair value of scheme assets were as follows:

£million	27 December 2008	29 December 2007
At 29 December / 30 December	168.6	158.3
Expected return on scheme assets	10.3	10.1
Actuarial loss	(51.3)	(0.2)
Contributions from the sponsoring companies	3.1	2.9
Contributions from scheme members	2.0	2.0
Benefits paid	(4.8)	(4.5)
At 27/29 December	<u>127.9</u>	<u>168.6</u>

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value of assets	
	27 December 2008 %	29 December 2007 %	27 December 2008 £million	29 December 2007 £million
UK equities	7.80	8.00	51.7	81.5
Overseas equities	7.80	8.00	31.6	36.8
Corporate bonds	6.47	5.82	27.7	28.5
UK government bonds	3.74	4.55	7.0	7.1
Property	6.86	6.59	9.9	14.7
	<u></u>	<u></u>	<u>127.9</u>	<u>168.6</u>

## International Produce Limited

### Notes to the accounts (continued) 52 weeks ended 27 December 2008

#### 25. Retirement benefit schemes (continued)

	27 December 2008	29 December 2007	30 December 2006
<b>£million</b>			
Fair value of scheme assets	127.9	168.6	158.3
Present value of defined benefit obligations	(127.5)	(150.6)	(140.6)
Surplus in the scheme	0.4	18.0	17.7
Experience gains / (losses) adjustments on scheme liabilities			
Amount	4.9	(8.7)	0.2
Percentage of scheme liabilities (%)	3.84	5.78	0.14
Experience (losses) / gains on scheme assets			
Amount	(51.3)	(0.2)	4.9
Percentage of scheme assets (%)	40.11	0.12	3.10

The estimated amount of contributions expected to be paid to the pension scheme during the current financial year is £3.1 million. The employer contribution rate for the current financial year is 9.4%.

The next triennial valuation is scheduled to be carried out as at 31 March 2010.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit scheme. The group estimate the scheme liabilities on average fall due over 20 years.

The Trustees currently adopt a policy of 70% return seeking assets (equities) and 30% liability matching assets (bonds/property) which will be reviewed periodically. Within the return seeking portfolio the Trustees have decided to increase their allocation to overseas equities and have recently appointed a passive manager in this regard.

The Group and the Trustees work closely together in matters concerning the Bakkavör Pension Scheme. Regular meetings and correspondence on matters concerning the scheme are shared in an open manner between both parties.

#### 26. Events after the balance sheet date

There have been no material post balance sheet events which would require disclosures or adjustment to the 27 December 2008 Financial Statements.

## International Produce Limited

### Notes to the accounts (continued) 52 weeks ended 27 December 2008

#### 27. Related party transactions

##### Trading transactions

During the period, the Company entered into the following transactions with related parties:

	Gross sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Asda	46,182	40,785	-	-	9,727	8,080	-	56
Other group companies	190	858	-	-	2	206	12	1

Asda is a related party as a result of the significant influence it has over International Produce Limited. There is an agreement whereby Asda has the option to purchase the Company in July 2009, becoming effective at the earliest October 2009. There are also trading supply agreements whereby Asda's authority/approval is required in many financial and operating decisions.

Sales and purchases of goods to related parties were made at cost.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

##### Remuneration of key management personnel

The remuneration of the directors and senior management, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of directors of the Company is provided in note 8 to the financial statements.

	27 December 2008 £'000	29 December 2007 £'000
Short-term employee benefits	267	270

#### 28. Controlling party

The Company's ultimate parent Company and ultimate controlling party is Bakkavör hf, a Company registered in Iceland. The largest group in which the results of the Company are consolidated is Bakkavör hf. The smallest set in which the results of the Company are consolidated is that headed by Bakkavör London Limited. Bakkavör London Limited has included the Company in its Group financial statements, copies of which are available from Armuli 3, 108 Reykjavik, Iceland.

The directors consider Bakkavör Foods Limited to be the immediate parent Company.