

Patak's Frozen Foods Limited

FINANCIAL STATEMENTS

for the year ended

30 September 2006

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Patak's Frozen Foods Limited

FINANCIAL STATEMENTS

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Patak's Frozen Foods Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr K K Pathak
Mr N K Pathak

SECRETARY

Mr J H Pattni

REGISTERED OFFICE

Block 2
Units 1&2
West Pitkerro Industrial Estate
Dundee
DD5 3RZ

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

BANKERS

National Westminster Bank plc
4 Standishgate
Wigan
Lancs
WN1 1UJ

Patak's Frozen Foods Limited

DIRECTORS' REPORT

The directors submit their report and financial statements of Patak's Frozen Foods Limited for the year ended 30 September 2006

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the production and marketing of frozen ready meals and snacks

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £1,855,264

Trading Review

The company's sales declined by 28% over the prior year and profit before tax has similarly decreased. The sales decline is due to competitive pressures and a general contraction of the frozen food sector. Operating profit decreased by £713k to show an operating loss of £317k.

Financial Risk Management.

- **Margin Risk**

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by providing value added products and services to its customers at competitive prices and providing high level of service and quality.

- **Credit Risk**

The Company's operations have been exposed to credit risk. All financing and liquidity are managed by good internal credit control. Policies are in place to ensure that sales of products are made to customers with appropriate credit history.

- **Interest Rate Risk**

The company is financed by a variable rate facility from its bankers and therefore would have exposure to interest rate movements. This risk is managed by regular meetings between the management and the Bank. The company does not presently engage in hedging activities.

Research and Development

The company continues work in research and development to introduce new and improved products.

RESULTS AND DIVIDENDS

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

The directors have recommended the following dividends

	2006 £	2005 £
Interim dividend paid on ordinary shares	<u> </u>	250,000
	<u> </u>	<u>250,000</u>

RESEARCH AND DEVELOPMENT

The amount of expenditure written off in the year is set out in note 2 to the financial statements.

Patak's Frozen Foods Limited

DIRECTORS' REPORT

DIRECTORS

The directors who served the company during the period were as follows

Mr K K Pathak
Mr D A Page (resigned 31/03/07)
Mr N K Pathak

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

In accordance with the company's Articles of Association, Mr K K Pathak retires by rotation and, being eligible, offers himself for re election

AUDITORS

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 19 September 2006 dispensing with the requirement to appoint auditors annually. Therefore, Baker Tilly are deemed to continue as auditors

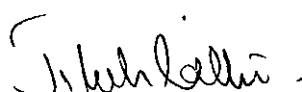
The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

Registered office
Block 2
Units 1&2
West Pitkerro Industrial Estate
Dundee
DD5 3RZ

By order of the board



Mr J H Pattni

Company Secretary

26 July 2007

Patak's Frozen Foods Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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 AUDITOR'S REPORT TO THE MEMBERS OF PATAK'S FROZEN FOODS LIMITED

We have audited the financial statements on pages 6 to 17

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 30 September 2006 and of its loss for the year then ended and 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.


BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
Brazenose House
Lincoln Square
Manchester M2 5BL

30 July 2007

Patak's Frozen Foods Limited

PROFIT AND LOSS ACCOUNT

for the year to 30 September 2006

	Notes	2006 £	2005 £
TURNOVER	1	6,127,665	8,549,322
Cost of sales		<u>5,401,555</u>	<u>6,902,553</u>
Gross profit		726,110	1,646,769
Administrative expenses		<u>1,043,228</u>	<u>1,250,478</u>
OPERATING PROFIT	2	(317,118)	396,291
Interest receivable and similar income	4	–	3,138
Interest payable and similar charges	5	79,470	–
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(396,588)</u>	<u>399,429</u>
Taxation	6	(39,401)	(62,884)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(357,187)</u>	<u>462,313</u>

The operating (loss)/ profit for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account

Patak's Frozen Foods Limited

BALANCE SHEET

30 September 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	8	2,720,403	2,951,625
CURRENT ASSETS			
Stocks	9	393,161	1,396,553
Debtors	10	1,314,295	1,502,053
Cash at bank and in hand		963,615	164,633
		2,671,071	3,063,239
CREDITORS			
Amounts falling due within one year	11	2,133,845	2,207,719
NET CURRENT ASSETS		537,226	855,520
TOTAL ASSETS LESS CURRENT LIABILITIES		3,257,629	3,807,145
CREDITORS			
Amounts falling due after more than one year	12	1,212,500	1,350,000
		2,045,129	2,457,145
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15	35,045	70,374
Accruals and deferred income	16	154,820	174,320
		1,855,264	2,212,451
CAPITAL AND RESERVES			
Called up equity share capital	20	350,000	350,000
Profit and loss account	21	1,505,264	1,862,451
SHAREHOLDERS' FUNDS	22	1,855,264	2,212,451

These financial statements were approved by the board of directors and authorised for issue on 26 July 2007 and are signed on their behalf by



Mr K K Pathak
Director

Patak's Frozen Foods Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes a consolidated cash flow statement

TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced for goods delivered during the period, excluding value added tax

FIXED ASSETS

All fixed assets are initially recorded at cost

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Property and Improvements	4% straight line
Plant & Machinery	10 25% straight line

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for slow moving and obsolete items. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less estimated cost of disposal. Cost represents materials, direct labour and appropriate production overheads

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

PENSION COSTS

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Patak's Frozen Foods Limited

ACCOUNTING POLICIES

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

GOVERNMENT GRANTS

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Patak's Frozen Foods Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 30 September 2006

1 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2006 £	2005 £
United Kingdom	5,909,655	8,549,322
Rest Of The World	218,010	
	<u>6,127,665</u>	<u>8,549,322</u>

2 OPERATING PROFIT

Operating profit is stated after charging/ (crediting)

	2006 £	2005 £
Amortisation of government grants	(19,500)	(33,003)
Research and development expenditure written off	7,708	8,792
Depreciation of owned fixed assets	269,079	256,357
Loss on disposal of fixed assets		-
Auditors' remuneration		
as auditors	25,000	16,000
for other services	3,000	10,399
Operating lease costs		
Land and buildings		150,636
Other	19,234	18,165
Net loss on foreign currency translation	<u>30</u>	<u>-</u>

3 PARTICULARS OF EMPLOYEES

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

	2006 No	2005 No
Production staff	55	49
Administrative staff	13	7
Office and management staff	8	11
	<u>76</u>	<u>67</u>

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	939,635	1,349,855
Social security costs	86,101	112,798
Other pension costs	37,277	45,880
	<u>1,063,013</u>	<u>1,508,533</u>

No disclosure has been made of directors' remuneration for the financial year as this is paid through the parent company, Patak's Foods Limited

Patak's Frozen Foods Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 September 2006

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £	2005 £
Other interest received		2,203
Other operating income		935
	<u> </u>	<u>3,138</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Interest payable on bank borrowing	79,470	<u> </u>

Patak's Frozen Foods Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 September 2006

6 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	2006 £	2005 £
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 30% (2005 30%)		4,072
(Over)/under provision in prior period	(4,072)	(29,866)
Under provision in current period		269
Total current tax	(4,072)	(25,525)
Deferred tax		
Origination and reversal of timing differences	(24,879)	(37,359)
(Over)/ under provision relating to prior periods	(10,450)	
Total deferred tax (note 15)	(35,329)	(37,359)
Tax on profit on ordinary activities	(39,401)	(62,884)

(b) Factors affecting current tax charge

The tax assessed on the (loss)/ profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2005 30%)

	2006 £	2005 £
(Loss)/profit on ordinary activities before taxation	(396,588)	399,429
(Loss)/profit on ordinary activities by rate of tax	(118,976)	75,892
Expenses not deductible for tax purposes		1,146
Capital allowances in excess of depreciation	(61,407)	(633)
Group relief	61,394	(72,898)
Adjustments to tax charge in respect of previous periods	(4,072)	(29,866)
Unrelieved tax losses and other deductions arising in the period	86,285	269
Short term timing differences		565
Total current tax (note 6(a))	(4,072)	(25,525)

7 DIVIDENDS

The following dividends have been paid or proposed in respect of the period

	2006 £	2005 £
Dividend paid on ordinary shares		250,000
		<u>250,000</u>

Patak's Frozen Foods Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 September 2006

8 TANGIBLE FIXED ASSETS

	Leasehold & Freehold Property £	Plant & Machinery £	Total £
Cost			
At 2 October 2005	2,952,242	2,737,030	5,689,272
Additions	9,242	28,615	37,857
At 30 September 2006	<u>2,961,484</u>	<u>2,765,645</u>	<u>5,727,129</u>
Depreciation			
At 2 October 2005	809,617	1,928,030	2,737,647
Charge for the year	104,204	164,875	269,079
At 30 September 2006	<u>913,821</u>	<u>2,092,905</u>	<u>3,006,726</u>
Net book value			
At 30 September 2006	<u>2,047,663</u>	<u>672,740</u>	<u>2,720,403</u>
At 2 October 2005	<u>2,142,625</u>	<u>809,000</u>	<u>2,951,625</u>

9 STOCKS

	2006 £	2005 £
Raw materials & packaging	127,098	121,459
Work in progress	40,845	30,009
Finished goods	225,218	1,245,085
	<u>393,161</u>	<u>1,396,553</u>

10 DEBTORS

	2006 £	2005 £
Trade debtors	1,165,647	1,031,829
Amounts owed by group undertakings	3,264	60,543
Other debtors	70,002	319,412
Prepayments and accrued income	75,382	90,269
	<u>1,314,295</u>	<u>1,502,053</u>

Patak's Frozen Foods Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 September 2006

11 CREDITORS Amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	150,000	150,000
Trade creditors	740,029	672,828
Amounts owed to group undertakings	43,853	457,971
Corporation tax		4,072
Other taxes and social security	27,766	24,338
Other creditors	8,156	2,565
Accruals and deferred income	1,164,041	895,945
	<u>2,133,845</u>	<u>2,207,719</u>

12 CREDITORS Amounts falling due after more than one year

	2006	2005
	£	£
Bank loans	<u>1,212,500</u>	<u>1,350,000</u>

The bank loans and overdrafts are secured by

Standard security over Land & Buildings dated 28/09/05 known as West Pitkerro Industrial Estate, Dundee, Tayside

A composite guarantee dated 01/03/02 between the company and Patak's Foods Limited, Patak's Breads Limited, Patak's Chilled Foods Limited, Worldwing Investments Limited, Patak (Spices) Limited and Korway Holdings Limited

13 LOANS

Creditors includes a bank loan which is due for repayment as follows

	2006	2005
	£	£
Amounts repayable		
Within one year	150,000	150,000
In more than one year but not more than two years	150,000	150,000
In more than two years but not more than five years	450,000	450,000
In more than five years	612,500	750,000
	<u>1,362,500</u>	<u>1,500,000</u>

The bank loan of £1,362,500 is repayable by monthly instalments and bears interest at 1% per annum over the bank base rate

14 PENSIONS

The company operates a group personal pension scheme for its members. The pension cost charge represents contributions payable to each member's policy, based on their annual salary, by the company. At the balance sheet date there were no outstanding or prepaid contributions (2005 £nil)

Patak's Frozen Foods Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 September 2006

15 DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	2006 £	2005 £
Provision brought forward	70,374	107,733
Profit and loss account movement arising during the year	(35,329)	(37,359)
Provision carried forward	<u>35,045</u>	<u>70,374</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	35,045	70,374
	<u>35,045</u>	<u>70,374</u>

16 GOVERNMENT GRANTS

	2006 £	2005 £
At 2 October 2005	174,320	207,323
Annual release	(19,500)	(33,003)
At 30 September 2006	<u>154,820</u>	<u>174,320</u>

17 COMMITMENTS UNDER OPERATING LEASES

At 30 September 2006 the company had annual commitments under non cancellable operating leases as set out below

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within 1 year		10,201	148,000	4,353
Within 2 to 5 years		9,033	—	13,813
After more than 5 years		—	—	—
	<u> </u>	<u>19,234</u>	<u>148,000</u>	<u>18,166</u>

Patak's Frozen Foods Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year to 30 September 2006

18 CONTINGENT LIABILITIES

As at the balance sheet date, there is a guarantee given to the bank for £12,687,458 (2005 £11,514,911) in favour of the company's group undertakings Patak's Chilled Foods Limited, Patak (Spices) Limited, Patak's Foods Limited, Patak's Breads Limited and its parent undertaking Worldwing Investments Limited

There is a contingent liability of £50,000 in respect of the grant received under the Invest for Growth scheme from the Scottish Executive, which is repayable in future if the company does not achieve certain job targets and it ceases to own or use assets for the purpose of the project. The directors are confident that targets will be met and the assets will remain in use, and in their opinion the requirement to repay the grant is unlikely to arise

19 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

During the year rent of £nil (2005 £150,637) was charged for property leased by Pathak Pension Scheme to the company. At the balance sheet date, rent prepaid was £nil (2005 £12,333). Mr K K Pathak and Mrs M K Pathak are the trustees of the Pathak Pension Scheme. On the 30th September 2005 the property was purchased from Pathak Pension Scheme for a total cost of £1,572,535

20 SHARE CAPITAL

	2006 £	2005 £
Authorised		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	2006 £	2005 £
Allotted, called up and fully paid		
350,000 Ordinary shares of £1 each	<u>350,000</u>	<u>350,000</u>

21 PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
At 2 October 2005	1,862,451	1,650,138
Retained (loss)/profit for the financial year	(357,187)	462,313
Dividends		(250,000)
At 30 September 2006	<u>1,505,264</u>	<u>1,862,451</u>

Patak's Frozen Foods Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year to 30 September 2006

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
(Loss)/profit for the financial year	(357,187)	462,313
Dividends		(250,000)
	<u>(357,187)</u>	<u>212,313</u>
Opening shareholders' equity funds	2,212,451	2,000,138
Closing shareholders' equity funds	<u>1,855,264</u>	<u>2,212,451</u>

23 INTEREST IN SUBSIDIARY UNDERTAKING

The company owns the entire issued share capital, comprising 2 shares of £1 each, of Freezer Chef Limited which was incorporated on 2 October 1986 and is registered in Scotland. The company has not traded. Group accounts are not produced as Patak's Frozen Foods Limited is itself a wholly owned subsidiary.

24 ULTIMATE PARENT UNDERTAKING

The company's immediate undertaking at the balance sheet date was Patak's Foods Limited, and its ultimate parent undertaking at the balance sheet date was Worldwing Investments Limited, both companies registered in England and Wales. Consolidated group financial statements are prepared by Worldwing Investments Limited and are available from Companies House, Cardiff.