

PEN MILL FEEDS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
29 SEPTEMBER 2007



Company no 02691453

PEN MILL FEEDS LIMITED

FINANCIAL STATEMENTS

For the year ended 29 September 2007

Company no	02691453
Registered office	Babylon View Pen Mill Trading Estate Yeovil BA21 5HR
Directors	A W Duffield D E Hills
Secretary	D E Hills
Auditor	Grant Thornton UK LLP Registered Auditors Chartered Accountants Holland Court The Close Norwich Norfolk NR1 4DY

PEN MILL FEEDS LIMITED

FINANCIAL STATEMENTS

For the year ended 29 September 2007

INDEX	PAGE
Report of the directors	1 - 2
Report of the independent auditor	3
Principal accounting policies	4-5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

PEN MILL FEEDS LIMITED

REPORT OF THE DIRECTORS

The directors present their report with the financial statements for the company for the period from 1 October 2006 to 29 September 2007 (the "year")

Principal activity

The principal activity of the company in the year under review was that of the manufacture and sale of animal feedstuffs

Business and trading review

Turnover increased by some £149,000 from £8,502,000 to £8,651,000 for the year. The profit on ordinary activities before taxation was £263,000 (2006 £30,000), and the profit for the year after taxation amounted to £225,000 (2006 £12,000). The directors propose no dividend on the ordinary shares. The profit transferred to reserves for the year was £225,000 (2006 £12,000).

During the later part of the year we have seen considerable increases in raw material prices and energy costs with world commodity markets becoming highly volatile. Price increases have filtered down to dairy farmers, however beef and pig prices remain under pressure. Following a more successful year margins remain highly competitive in a volatile market.

Financial risk management objectives and policies

In common with every other business, the company aims to minimise financial risk. The measures used by the directors to manage this risk include the preparation of profit forecasts, regular monitoring of actual performance against these forecasts and ensuring that adequate financing facilities are in place to meet the requirements of the business. Trade debtors are closely monitored to keep the risk of bad debts to a minimum level. In addition, levels of stock are also closely monitored to reduce the risk of slow moving stocks being held.

Key performance indicators

The company uses a range of performance measures to monitor business performance. The key financial performance indicators are turnover and operating profit.

	2007	2006
Turnover (£'000)	8,651	8,502
Operating profit (£'000)	328	120

All performance data is reported monthly to management and directors.

Directors

The directors during the year were

A W Duffield
D E Hills

Directors' and officers' liability insurance

During the year the company maintained liability insurance for its directors and officers. This provision, which is a qualifying third party indemnity provision as defined by Section 309B of the Companies Act 1985, was in force throughout the year and is currently in force.

PEN MILL FEEDS LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors 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 the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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.

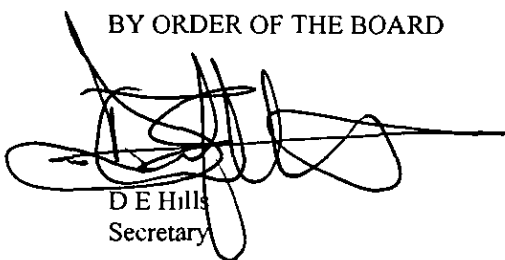
In so far as the directors are aware

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

Auditors

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

BY ORDER OF THE BOARD



D E Hills
Secretary

20 February 2008.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PEN MILL FEEDS LIMITED

We have audited the financial statements of Pen Mill Feeds Limited for the year ended 29 September 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 17. 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 directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

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

Basis of audit opinion

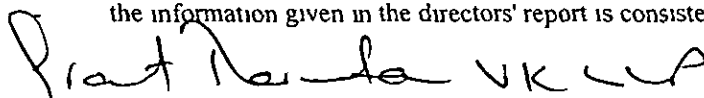
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 as at 29 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the directors' report is consistent with the financial statements.



**GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS**

NORWICH

20 February 2008

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and under the historical cost convention

TURNOVER

Turnover represents net invoiced sales of goods, excluding value added tax

TANGIBLE FIXED ASSETS

Depreciation of fixed assets is calculated so as to write off their cost evenly over their expected future economic lives. Estimates of economic lives vary according to the type of asset as follows

Freehold land not depreciated

Freehold buildings 50 years

Plant and equipment (including office equipment and software) 4 to 25 years

Motor vehicles 2 to 10 years

Assets in the course of construction not depreciated

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost consists of direct costs and appropriate overheads

LEASES AND HIRE PURCHASE

The cost of assets acquired on hire purchase and similar finance leases is capitalised and written off over the estimated useful life of the asset. The total finance charges are charged against profits so as to produce a constant periodic rate of charge on the outstanding obligation

Operating leases are charged to the profit and loss account in the year in which the expense is incurred

FINANCIAL INSTRUMENTS

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

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

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

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand

CASH FLOW STATEMENT

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a UK parent company

RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available under Financial Reporting Standard 8 to subsidiary undertakings 90 per cent or more of whose voting rights are controlled within the group, which permits them not to disclose transactions with other group companies qualifying as related parties

PENSION COSTS

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they accrue. These contributions are invested separately from the company's assets.

DEFERRED TAXATION

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. In accordance with Financial Reporting Standard 19, provision is made for deferred tax in respect of all timing differences that have originated but not reversed by the balance sheet date, except that deferred tax assets are only recognised to the extent that they are regarded as recoverable. The amount provided for deferred taxation is not discounted.

PEN MILL FEEDS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 29 September 2007

	Note	2007 £'000	2006 £'000
Turnover		8,651	8,502
Cost of sales		(7,058)	(7,104)
Gross profit		1,593	1,398
Distribution costs		(687)	(754)
Administrative expenses		(578)	(524)
Operating profit	1	328	120
Profit/(loss) on sale of fixed assets		1	(2)
Interest payable and similar charges	2	329 (66)	118 (88)
Profit on ordinary activities before taxation		263	30
Tax on profit on ordinary activities	4	(38)	(18)
Profit for the financial year		225	12

All of the company's turnover and net operating costs were derived from continuing activities

The company had no recognised gains or losses other than those passing through the profit and loss account

The accompanying accounting policies and notes form an integral part of these financial statements

PEN MILL FEEDS LIMITED

BALANCE SHEET AT 29 SEPTEMBER 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	5	1,501	1,598
Current assets			
Stocks		184	139
Debtors	6	1,904	1,479
Cash at bank and in hand		238	212
		<u>2,326</u>	<u>1,830</u>
Creditors: amounts falling due within one year	7	<u>(2,248)</u>	<u>(1,990)</u>
Net current assets/(liabilities)		<u>78</u>	<u>(160)</u>
Total assets less current liabilities		<u>1,579</u>	<u>1,438</u>
Creditors: amounts falling due after more than one year	8	(280)	(383)
Provisions for liabilities and charges	9	(121)	(102)
Net assets		<u><u>1,178</u></u>	<u><u>953</u></u>
Capital and reserves			
Called up share capital	11	1	1
Share premium	12	60	60
Profit and loss account	13	1,117	892
Equity shareholders' funds	14	<u><u>1,178</u></u>	<u><u>953</u></u>

The financial statements were approved by the board of directors on 20 February 2008.


AW Duffield Director


DE Hills Director

The accompanying accounting policies and notes form an integral part of these financial statements

PEN MILL FEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 September 2007

1 OPERATING PROFIT

	2007 £'000	2006 £'000
Operating profit is stated after charging:		
Depreciation	195	197
Auditors' remuneration		
Audit fees in respect of audit of the company's annual accounts	5	6
Fees paid in respect of other services - tax services	2	-
	<u>55</u>	<u>53</u>
Directors' emoluments including benefits in kind		
	<u>55</u>	<u>53</u>

The number of directors to whom retirement benefits were accruing was as follows

	2007	2006
Money purchase schemes	-	-
	<u>-</u>	<u>-</u>

2 INTEREST PAYABLE

	2007 £'000	2006 £'000
Amounts payable on loans and overdrafts	66	88
	<u>66</u>	<u>88</u>

3 STAFF NUMBERS AND COSTS

The average number of persons (including directors) employed by the company during the year, categorised by function, was as follows

	Number of employees	
	2007	2006
Management	2	2
Administration	3	4
Production	10	10
Sales and delivery	10	10
	<u>25</u>	<u>26</u>

The aggregate payroll costs of these persons were as follows

	2007 £'000	2006 £'000
Wages and salaries	666	677
Social security costs	70	70
Other pension costs (note 15)	20	16
	<u>756</u>	<u>763</u>

PEN MILL FEEDS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 29 September 2007

4 TAXATION ON PROFIT ON ORDINARY ACTIVITY**(a) Analysis of the tax charge for the year:**

The taxation charge on the profit on ordinary activity comprises

	2007 £'000	2006 £'000
Current taxation		
UK corporation tax on profits of the year	19	-
Prior year	-	(30)
	<hr/>	<hr/>
Total current taxation (note 4(b))	19	(30)
Deferred taxation		
Deferred taxation - current year	24	9
Deferred taxation - effect of change in rate	(7)	-
Deferred taxation - prior year	2	39
	<hr/>	<hr/>
Tax on profit on ordinary activities	38	18
	<hr/>	<hr/>

UK corporation tax has been charged at 30% (2006 30%)

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	263	30
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	79	9
Effects of		
Expenses not deductible for tax purposes	1	1
Capital allowances in excess of depreciation	(8)	(37)
Profit on disposal of fixed assets	-	1
Marginal relief/lower tax rate applicable	(8)	-
Losses available for future offset	-	26
Losses brought forward utilised	(45)	-
Adjustment in respect of prior year	-	(30)
	<hr/>	<hr/>
Tax charge/(credit) for the year (note 4(a))	19	(30)
	<hr/>	<hr/>

PEN MILL FEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 September 2007

5 TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant and equipment £'000	Office equipment and software £'000	Assets in the course of construction £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 October 2006	639	1,222	95	37	356	2,349
Additions	-	44	4	31	19	98
Transfers	-	56	-	(56)	-	-
Disposals	-	-	-	-	(15)	(15)
At 29 September 2007	639	1,322	99	12	360	2,432
Depreciation						
At 1 October 2006	86	424	66	-	175	751
Charge for year	12	116	10	-	57	195
Disposals	-	-	-	-	(15)	(15)
At 29 September 2007	98	540	76	-	217	931
Net book value at 29 September 2007	541	782	23	12	143	1,501
Net book value at 29 September 2006	553	798	29	37	181	1,598

PEN MILL FEEDS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 29 September 2007

6 DEBTORS

	2007 £'000	2006 £'000
Trade debtors	865	822
Amounts owed by group undertakings	848	482
Other debtors	182	168
Prepayments and accrued income	9	7
	<hr/>	<hr/>
	1,904	1,479
	<hr/>	<hr/>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank loans and overdrafts	100	322
Trade creditors	659	590
Amounts owed to group undertakings	1,341	1,059
Social security and other taxes	19	17
Corporation tax	19	-
Accrued expenses	110	2
	<hr/>	<hr/>
	2,248	1,990
	<hr/>	<hr/>

The bank overdraft and loans are secured by way of a fixed and floating charge over the assets of the company

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Bank loans	280	383
	<hr/>	<hr/>
Amounts falling due between two and five years		
	2007 £'000	2006 £'000
Repayable by instalments - bank loans		
Amounts falling due between one and two years	100	100
Amounts falling due between two and five years	180	283
	<hr/>	<hr/>

The bank overdraft and loans are secured by way of a fixed and floating charge over the assets of the company

PEN MILL FEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 September 2007

9 DEFERRED TAXATION

Provision is made for deferred taxation which represents deferral of taxation by the liability method as follows

	2007 £'000	2006 £'000
At beginning of year	102	54
Charge for the year (note 4(a)) - prior year	2	39
Charge for the year (note 4(a)) - change in rate	(7)	-
Charge for the year (note 4(a)) - current year	24	9
	<hr/>	<hr/>
At end of year	121	102
	<hr/>	<hr/>

The amounts provided for deferred taxation are set out below

	2007 £'000	2006 £'000
Capital allowances in advance of depreciation	121	146
Losses available for future offset	-	(44)
	<hr/>	<hr/>
	121	102
	<hr/>	<hr/>

10 CONTINGENT LIABILITIES

The company has a contingent liability in respect of an unlimited guarantee given to National Westminster Bank PLC covering all amounts which may become due to the bank by certain fellow group undertakings. At 29 September 2007 this liability amounted to £1,085,385 (2006 £539,440)

11 CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
5,000 ordinary A, B, C, D and E shares of £1 each	5,000	5,000
	<hr/>	<hr/>
	6,000	6,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
4 ordinary A, B, C, D and E shares of £1 each	4	4
	<hr/>	<hr/>
	1,004	1,004
	<hr/>	<hr/>

The ordinary A, B, C, D and E shares of £1 each have no voting rights attached but rank pari passu with the £1 ordinary shares in all other respects

PEN MILL FEEDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 29 September 2007

12 SHARE PREMIUM

	2007 £'000	2006 £'000
Brought forward and carried forward	60	60

13 PROFIT AND LOSS ACCOUNT

	2007 £'000	2006 £'000
Balance at beginning of year	892	880
Retained profit for the year	225	12
Balance at end of year	1,117	892

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Profit for the financial year	225	12
Net increase in shareholders' funds	225	12
Opening shareholders' funds	953	941
Closing shareholders' funds	1,178	953

15 PENSION COMMITMENTS

The assets of the pension scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund. Pension contributions charged to the profit and loss account in the year amounted to £20,000 (2006 £16,000).

16 OTHER FINANCIAL COMMITMENTS

At 29 September 2007 the company had capital commitments of £80,000 (2006 £23,000) which were contracted for at the end of the financial year but for which no provision has been made.

17 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of Pen Mill Feeds Limited is Duffields Mills Limited which is a company registered in England and Wales. Duffields Mills Limited is controlled by AW Duffield.