

COMPANY No 05183743

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011
FOR
ELLA'S KITCHEN (BRANDS) LIMITED**



ELLA'S KITCHEN (BRANDS) LIMITED
CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	5
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9

ELLA'S KITCHEN (BRANDS) LIMITED
COMPANY INFORMATION
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

DIRECTORS

Mr P Lindley
Mrs A Lindley
Mr D Struthers
Mr T Macready
Mr C Britton
Mrs N McDonnell

SECRETARY

2020 Secretarial Limited

REGISTERED OFFICE

1 St Andrew's Hill
London
EC4V 5BY

REGISTERED NUMBER

05183743 (England and Wales)

AUDITORS

KPMG LLP
Chartered Accountants
Statutory Auditor
Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

ELLA'S KITCHEN (BRANDS) LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

The directors present their report with the financial statements of the company for the period 4 July 2010 to 2 July 2011

PRINCIPAL ACTIVITY

The principal activity of the company was that of the manufacture and distribution of children's and baby food

REVIEW OF BUSINESS

The company experienced further continued and considerable financial, operational and brand success during the year. 13 new products were launched and 2 brand new ranges. Such successes were built through further increases in team members and skills, together with additional investment in quality assurance, new product development and consumer insight. These successes have also been reflected in numerous awards won during the year, including the Consumer Business of the Year at both the 2010 National Business Awards and the 2010 IGD Food Industry Awards, whilst Tesco mums voted our Stage 1 products the best in the market in the 2010 Mum's Choice Awards. The company was also recognised as the 14th fastest growing private company in the UK in the 2010 Fast Track 100 table (2009 9th).

The year witnessed a temporary withdrawal of 4 product lines in September when we discovered an error by a supplier that was not harmful to health, but was not compatible with Ella's Kitchen high standards, and also saw increased competition in the market place. Despite this, Ella's Kitchen accounted for 86% of the £8M growth of the wet baby food sector in 2010 and grew market share of the same sector to 12% by year end.

Key Performance Indicators

The directors track growth in turnover, maintenance of gross profit margin, and achievement of profit before tax against budget as the key financial performance indicators. Turnover increased by 60% over the previous year due to a mix of increases in product range, distribution points and international growth.

They also have a high-level goal to achieve a cumulative target of 200 million Tiny Tummy Touch Points ('TTTP's') by June 2012. This is a long-term sales goal where one TTTP represents one unit of product sold. TTTP's are on target and the directors are confident of hitting the June 2012 target.

Principal Risks and Uncertainties

The directors believe the principal risks facing the business to be:

Brand reputation. The directors seek to mitigate the risk to the reputation of the company's brands by investing in an enhanced quality control programme, external support, additional team resources and the refining of a crisis management team and protocol.

Cash flow during times of exceptional sales growth. The directors seek to mitigate the risk of adverse cash flows during expansion by cultivating a strong and open relationship with the company's banking partner, to ensure that significant credit lines are available.

Exposure to foreign currency movements. A significant proportion of the Group's cost of sales is denominated in Euros, whilst a significant proportion of revenues are denominated in Sterling. The directors seek to mitigate the currency risk inherent in this situation by having hedging facilities established and operating, together with a strategic focus on export into Europe to enhance the Euro revenue stream.

DIVIDENDS

No dividends will be distributed for the period ended 2 July 2011 (period ended 3 July 2010: nil).

ELLA'S KITCHEN (BRANDS) LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

DIRECTORS

The directors shown below have held office during the whole of the period from 4 July 2010 to the date of this report

Mr P Lindley
Mrs A Lindley
Mr D Struthers
Mr T Macready
Mr C Britton

Other changes in directors holding office are as follows

Mrs N McDonnell - appointed 25 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

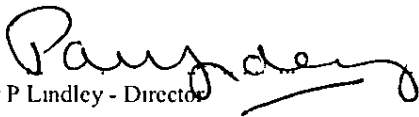
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

ELLA'S KITCHEN (BRANDS) LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

AUDITORS

The auditors, KPMG LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD


Mr P Lindley - Director

Date 25/11/11

Company No 05183743

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ELLA'S KITCHEN (BRANDS) LIMITED**

We have audited the financial statements of Ella's Kitchen (Brands) Limited for the period ended 2nd July 2011 set out on pages 7 to 18

The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 2nd July 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ELLA'S KITCHEN (BRANDS) LIMITED**

Matters on which we are required to report by exception

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

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



S C Barker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

2nd December 2011

Company No 05183743

ELLA'S KITCHEN (BRANDS) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

	Notes	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
TURNOVER	2	24,302,395	15,143,288
Cost of sales (including exceptional charge of £319,091)	5	<u>(16,691,186)</u>	<u>(10,806,078)</u>
GROSS PROFIT		7,611,209	4,337,210
Administrative expenses		<u>(4,877,764)</u>	<u>(2,954,092)</u>
		2,733,445	1,383,118
Other operating income		<u>493,589</u>	<u>-</u>
OPERATING PROFIT	4	3,227,034	1,383,118
Interest receivable and similar income	6	109	-
Interest payable and similar charges	7	<u>(84,755)</u>	<u>(69,845)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,142,388	1,313,273
Tax on profit on ordinary activities	8	<u>(865,465)</u>	<u>(369,986)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u><u>2,276,923</u></u>	<u><u>943,287</u></u>

CONTINUING OPERATIONS

There is no difference between the company's results as reported and on an historical basis

The turnover and profits were all derived from continuing activities

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current period or previous period

The notes form part of these financial statements

ELLA'S KITCHEN (BRANDS) LIMITED

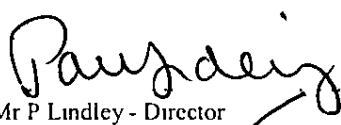
**BALANCE SHEET
2 JULY 2011**

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	9	337,307	189,830
CURRENT ASSETS			
Stocks	10	3,218,097	2,967,376
Debtors	11	7,372,181	4,042,007
Cash at bank and in hand		<u>736,300</u>	<u>162,221</u>
		11,326,578	7,171,604
CREDITORS			
Amounts falling due within one year	12	<u>(7,765,605)</u>	<u>(5,737,456)</u>
NET CURRENT ASSETS		<u>3,560,973</u>	<u>1,434,148</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,898,280	1,623,978
PROVISIONS FOR LIABILITIES	15	<u>(15,558)</u>	<u>(23,015)</u>
NET ASSETS		<u><u>3,882,722</u></u>	<u><u>1,600,963</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	100	100
Other reserves	17	40,957	36,121
Profit and loss account	17	<u>3,841,665</u>	<u>1,564,742</u>
SHAREHOLDERS' FUNDS	21	<u><u>3,882,722</u></u>	<u><u>1,600,963</u></u>

The financial statements were approved by the Board of Directors on behalf by

25/11/11

and were signed on its


Mr P Lindley - Director

Company No 05183743

ELLA'S KITCHEN (BRANDS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

I ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles. The accounting policies remain unchanged from the previous year and are included below.

Going concern

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the parent company includes the subsidiary in its published financial statements.

Turnover

Turnover, which is stated net of value added tax, represents the invoiced amounts of goods sold to third parties less the cost of direct price promotions. Revenue is recognised on delivery of the goods to the customer.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery	- 33% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on a first in first out (FIFO) basis.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the profit and loss account in the line which most appropriately reflects the nature of the item or transaction.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate. Contributions made by the company into employee personal pension plans are charged to the profit and loss account as incurred.

ELLA'S KITCHEN (BRANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011

1 ACCOUNTING POLICIES - continued

Equity-settled share-based payments

The company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of the grant. The fair value so determined has been expensed on a straight line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using a Black-Scholes-Merton option pricing model. The key assumptions used in the model have been adjusted where appropriate based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Taxation

The tax charge comprises current tax payable and deferred tax.

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the company's taxable profits and is based on an interpretation of existing tax laws. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Invoice discounting charges

The charges for Confidential Invoice Discounting are charged to the profit and loss account as they are charged by the lender.

Related party disclosures

The company has taken advantage of the exemption under paragraph 3(c) of FRS8 and has not disclosed intra-group transactions.

Exceptional items

Exceptional items are items which due to their size, incidence and non-recurring nature have been classified separately in order to draw them to the attention to the reader of the accounts and, in management's judgement, to show more accurately the underlying profits of the group. Such items are included within the income statement caption to which they relate, and separately disclosed either in the notes to the consolidated financial statements or on the face of the consolidated income statement.

2 TURNOVER

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

An analysis of turnover by geographical market is given below.

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
United Kingdom	20,397,652	13,693,294
Overseas	3,904,743	1,449,994
	<u>24,302,395</u>	<u>15,143,288</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

3 STAFF COSTS

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
Wages and salaries	1,392,425	737,546
Social security costs	127,941	68,098
Other pension costs	55,360	20,067
	<u>1,575,726</u>	<u>825,711</u>

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

	Period 4/7/10 to 2/7/11	Period 5/7/09 to 3/7/10
Administration	7	5
Operations	15	7
Management	<u>4</u>	<u>3</u>
	<u>26</u>	<u>15</u>

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
Hire of equipment	453	-
Other operating leases	27,015	16,654
Depreciation - owned assets	121,782	62,576
Loss on disposal of fixed assets	69,431	-
Audit fee	23,130	21,870
Foreign exchange differences	<u>55,064</u>	<u>(104,507)</u>
Directors' remuneration	254,849	177,578
Directors' pension contributions to money purchase schemes	<u>32,376</u>	<u>15,638</u>

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

Money purchase schemes	<u>4</u>	<u>3</u>
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Included in directors' emoluments are £99,931 (2010: £100,000) of emoluments and pension contributions of £9,576 (2010: £1,250) in respect of the highest paid director

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

5 EXCEPTIONAL COSTS AND CONTINGENT ASSET

As reported in last year's accounts, the company announced on 9 September 2010 that it was withdrawing certain batches and date codes of its baby food because of possible microbial spoilage inside the straw of the packets. The microorganisms that were identified are harmless. This only affected products manufactured in one particular factory. In accordance with the terms of its contract with the supplier, the company has sought to recover its cost associated with this product withdrawal. Legal action has commenced during the year and the company is subject to a counter claim for 2.5m Euros from the supplier. The company believes that this claim is without merit. The company has incurred direct costs to date of £720,040. Against this it is withholding payment to the supplier on invoices totalling £400,950, as it is entitled to do under the terms of its contract with the supplier. The exceptional charge in the profit and loss account for the year is then £319,091.

The tax effect of this exceptional charge is a reduction in the tax charge for the year of £89,345. As explained above, the company is currently seeking full recovery of these costs through legal proceedings. As the recovery of these costs is not yet certain, an asset has not been brought to account.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
Deposit account interest	<u>109</u>	<u>-</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
Bank interest	1,657	-
Factoring charges	<u>83,098</u>	<u>69,845</u>
	<u>84,755</u>	<u>69,845</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

8 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
Current tax		
UK corporation tax	846,148	358,902
Under-provision in prior year	<u>14,843</u>	<u>-</u>
Total current tax	860,991	358,902
Deferred tax		
Origination and reversal of temporary differences	(7,457)	11,084
Adjustment in respect of prior years	<u>11,931</u>	<u>-</u>
Tax on profit on ordinary activities	<u>865,465</u>	<u>369,986</u>

UK corporation tax has been charged at 28%/26% (2010 - 28%)

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below

	Period 4/7/10 to 2/7/11 £	Period 5/7/09 to 3/7/10 £
Profit on ordinary activities before tax	<u>3,142,388</u>	<u>1,313,273</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27.489% (2010 - 28%)	863,811	367,716
Effects of		
Expenses not deductible for tax purposes	1,087	2,270
Capital allowances for period in excess of depreciation	6,146	(11,084)
Adjustments to tax charge in respect of previous years	14,843	-
Non-taxable income	<u>(24,896)</u>	<u>-</u>
Current tax charge	<u>860,991</u>	<u>358,902</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

9 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 4 July 2010	195,933	23,540	43,851	263,324
Additions	148,561	14,635	175,493	338,689
Disposals	(183,804)	-	-	(183,804)
At 2 July 2011	<u>160,690</u>	<u>38,175</u>	<u>219,344</u>	<u>418,209</u>
DEPRECIATION				
At 4 July 2010	56,112	5,079	12,302	73,493
Charge for period	79,636	7,457	34,689	121,782
Eliminated on disposal	(114,373)	-	-	(114,373)
At 2 July 2011	<u>21,375</u>	<u>12,536</u>	<u>46,991</u>	<u>80,902</u>
NET BOOK VALUE				
At 2 July 2011	<u>139,315</u>	<u>25,639</u>	<u>172,353</u>	<u>337,307</u>
At 3 July 2010	<u>139,821</u>	<u>18,461</u>	<u>31,549</u>	<u>189,831</u>

10 STOCKS

	2011 £	2010 £
Raw materials	1,780,845	834,570
Finished goods	<u>1,437,252</u>	<u>2,132,806</u>
	<u>3,218,097</u>	<u>2,967,376</u>

11 DEBTORS

	2011 £	2010 £
Amounts falling due within one year		
Trade debtors	4,315,789	3,151,735
Amounts owed by fellow group undertakings	2,705,413	755,725
Other debtors	43,502	49,575
Prepayments and accrued income	243,590	15,220
VAT	<u>58,012</u>	<u>64,643</u>
	<u>7,366,306</u>	<u>4,036,898</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

11 DEBTORS - continued

	2011	2010
	£	£
Amounts falling due after more than one year		
Other debtors	<u>5,875</u>	<u>5,109</u>
Aggregate amounts	<u>7 372,181</u>	<u>4 042 007</u>

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£	£
Bank loans and overdrafts (see note 13)	1 653,257	1,152 455
Trade creditors	980,570	1,750,058
Amounts owed to fellow group undertakings	394,650	269 609
Tax	932 907	376 710
Social security and other taxes	43,944	23,853
Other creditors	8,907	4,674
Deferred income	-	17,825
Accrued expenses	<u>3 751,370</u>	<u>2 142,272</u>
	<u>7 765,605</u>	<u>5,737,456</u>

13 LOANS

An analysis of the maturity of loans is given below

	2011	2010
	£	£
Amounts falling due within one year or on demand		
Bank loans	<u>1 653,257</u>	<u>1,152,455</u>

The bank loan of £1,653 257 (2010 £1,152,455) represents with recourse invoice discounting and is secured on trade debtors. The rate of interest is 2% above the Lloyds TSB Bank plc base rate.

14 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	2011	2010	2011	2010
	£	£	£	£
Expiring				
Between one and five years	<u>64,750</u>	<u>26,500</u>	<u>6,748</u>	<u>-</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

15 PROVISIONS FOR LIABILITIES

	2011 £	2010 £
Deferred tax	<u>15,558</u>	<u>23,015</u>
	<u>15,558</u>	<u>23,015</u>
	Deferred tax £	Other provisions £
Balance at 4 July 2010	23,015	-
Origination and reversal of timing differences	<u>(7,457)</u>	<u>-</u>
	<u>15,558</u>	<u>-</u>

Deferred tax

The deferred tax provision is computed on accelerated capital allowances arising as a result of timing differences between capital allowances and depreciation

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The Budget on 23 March 2011 announced further measures to reduce the UK corporation tax to 23% by 2014. The revised first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011.

These changes will reduce the Company's future current tax charge accordingly. The measurement of deferred tax is based upon the expected change in rate to 26% as enacted at the balance sheet date. The Company has not yet quantified the full anticipated effect of the announced further rate reductions, although they will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

16 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid		2011 £	2010 £
Number	Class	Nominal value £1	
100	Ordinary	<u>100</u>	<u>100</u>

17 RESERVES

	Profit and loss account £	Other reserves £	Totals £
At 4 July 2010	1,564,742	36,121	1,600,863
Profit for the year	2,276,923	-	2,276,923
Charge in relation to grant of share options	<u>-</u>	<u>4,836</u>	<u>4,836</u>
At 2 July 2011	<u>3,841,665</u>	<u>40,957</u>	<u>3,882,622</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

18 ULTIMATE PARENT COMPANY

The ultimate parent company is Ella's Kitchen Group Limited (formerly Starport Associates Limited), incorporated in England

The accounts are available at the following address

Ella's Barn
22 Greys Green Farm
Rotherfield Greys
Henley-on-Thames
Oxfordshire
RG9 4QG

19 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption under paragraph 3(c) of FRS8 and has not disclosed intra-group transactions

20 ULTIMATE CONTROLLING PARTY

The ultimate controlling parties are Mr P Lindley & Mrs A J Lindley who own 77% of Ella's Kitchen Group Limited

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011	2010
	£	£
Profit for the financial period	2,276,923	943,287
Employee share option scheme	<u>4,836</u>	<u>36,121</u>
Net addition to shareholders' funds	2,281,759	979,408
Opening shareholders' funds	<u>1,600,963</u>	<u>621,555</u>
Closing shareholders' funds	<u>3,882,722</u>	<u>1,600,963</u>

ELLA'S KITCHEN (BRANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 4 JULY 2010 TO 2 JULY 2011**

22 SHARE-BASED PAYMENT TRANSACTIONS

Ella's Kitchen Group Limited has one share option scheme open to employees of the Group at the discretion of the Board. Options are exercisable at a price equal to the market price of the company's shares on the date of the grant, or such exercise price as is otherwise determined at the date of the grant.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

In the Scheme the options either vest on the shares of the company being sold or listed (or other exit event) or upon meeting specified performance conditions on or before the vesting date. Should the options remain unexercised they lapse after 10 years from the date of grant. The options also lapse following the employee leaving the Group. An estimated vesting period of 3 years has been used where vesting is dependent upon an exit event.

There were 1,000 (2010: 12,518) share options granted during the year and all of those granted in the prior year were outstanding at the year end. No options were exercised, lapsed or cancelled in the year.

The fair values were calculated using a Black-Scholes Merton model. The inputs into the model were as follows:

	2011	2010
Weighted average share price	£8.10	£6.75
Weighted average exercise price	£70.27	£2.94
Expected volatility	42%-57%	56%-57%
Risk free rate	0.5%	0.5%
Expected dividend yield	Nil	Nil

Expected volatility was determined using as a base the share price movements recorded over the same period as the vesting period (from grant date to vesting date) and taking into account any specific factors impacting during the period.

The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total charges of £4,836 (2010: £36,121) related to equity-settled share-based payment transactions during the year.