

**Produce Investments Limited**

**REPORTS AND FINANCIAL STATEMENTS**

**For the 52 weeks ended 26 June 2010**



# Produce Investments Limited

## STATUTORY AND OTHER INFORMATION

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### **DIRECTORS, OFFICERS AND ADVISERS**

#### DIRECTORS

J Tucholski  
M Jankowski  
R Clapham  
A Armstrong  
E Davies  
D Porter  
B Macdonald

#### SECRETARY

B Macdonald

#### REGISTERED OFFICE

Greenvale AP  
Floods Ferry Road  
Doddington  
March  
Cambridgeshire  
PE15 0UW

#### AUDITORS

Baker Tilly UK Audit LLP  
Chartered Accountants  
The Pinnacle  
170 Midsummer Boulevard  
Milton Keynes  
MK9 1 BP

#### BANKERS

Clydesdale Bank Plc  
2<sup>nd</sup> Floor  
10 Fleet Place  
London  
EC4M 7RB

# Produce Investments Limited

## DIRECTORS' REPORT

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The directors present their report and financial statements of Produce Investments Limited for the 52 weeks ended 26 June 2010

### *Principal activities*

The principal activity of the company in the year under review was that of a holding company for the Greenvale Group of companies, which grows, sources, packs and markets fresh potatoes

### *Review of the business*

The directors are satisfied with the overall trading performance of the Group given the trading conditions experienced during the year. A relatively high yielding crop and consequently lower free buy raw material prices meant that the retailers continued their demand for more promotional support as they continue to battle for volume and value market share. The Greenvale procurement model, which is based on sustainable fixed priced procurement contracts with its grower base, has meant that the company has been unable to benefit fully from these lower free buy raw material prices. The company has maintained its position with its major customers through the continued provision of exceptionally high customer service levels across the whole supply chain.

Market conditions are expected to remain competitive but the directors are confident that the Group is well placed to capitalise and expand the business as new opportunities arise with both existing and new customers.

The Group has maintained a good relationship with its bank throughout the year and continues to reduce its net borrowings.

### Principal risks and uncertainties

The key fundamental risks affecting the Group are set out below.

### *Competition*

The single biggest risk to the Group is that of competition. The Group operates in a highly competitive market, particularly around product availability/quality and price. In order to mitigate against this risk the Group continually monitors and reviews market prices and undertakes customer reviews to ensure their required service levels and expectations are met in full or surpassed. A constant pipeline of innovation within the product range as well as formal and regular new product development meetings with all customers helps maintain the Group's position of preferred supplier.

### *Employees*

Both regional managers and local staff are key to the success of the Group. The loss of key individuals or the inability to recruit people with the right level of experience and skills locally, could adversely impact the Group's results. In order to mitigate these risks the Group has a rolling programme in place to allow employees to improve learning and skills. The Group also has a number of incentive schemes in place linked to the overall Group performance that are designed to retain key individuals. There are also a number of keyman insurance policies in place to further mitigate some of the financial risks associated with the loss of certain individuals.

The average monthly number of persons (including directors) employed by the group during the period was

	2010	2009	2008
Production and warehouse	708	754	755
Management and administration	126	129	126
<b>Total average number of employees</b>	<b>834</b>	<b>883</b>	<b>881</b>

### *Supply chain*

The Group is exposed to the vagaries of the weather and hence impact upon the price, availability and quality of fresh potatoes. The Group believes it is well placed to mitigate against such risk as it grows its own potatoes throughout the UK and sources potatoes from a wide geographical area, both from the UK and from abroad. The Group also operates strict controls regarding supplier selection criteria, which also helps minimise the inherent risk within the fresh potato supply chain.

# Produce Investments Limited

## Financial risk management

### *Credit risk*

The Group operates tight credit control policies and seeks to minimise any exposure by only offering deferred terms where customers either have a proven track record of payment or satisfy credit worthiness procedures. Any credit limits are subject to regular review to ensure that limits remain appropriate to the circumstances of each customer.

### *Liquidity risk*

The Group seeks to mitigate liquidity risk by managing cash generation by its operations and by applying cash collection targets. The Group also manages liquidity risk via revolving credit facilities and long term debt.

### *Interest rate risk*

The Group manages this risk, where significant, by fixing interest rate payments using interest rate swaps.

### *Key performance indicators*

The directors review performance using a number of both financial and non-financial key performance indicators (KPI'S). These are regularly reviewed as to their appropriateness, set and measured continuously in order to monitor performance and comparative efficiencies across the Group.

The principal financial KPI'S monitored by the board are average selling prices and procurement costs, which enable the board to monitor overall profitability. Profitability by segment is disclosed in the accompanying financial statements (note 4). For the year to June 26<sup>th</sup> 2010 there has been considerable pressure on selling prices, leading to decreases, but lower procurement costs have helped offset these.

Non-financial KPI's are principally efficiency related and include

Volume of potatoes sold, overall volumes have remained flat. However fresh retail shows a decrease which has been offset by an increase in other lower priced volumes.

Yield%, the Group monitors the yield through its three main fresh sites and this showed an improvement of over 3.3% compared with the previous year.

Man hours per tonne, the Group monitors the number of worked hours to pack potatoes and this showed an improvement of over 4% compared with the previous year.

### *Results and dividends*

The retained profit after tax for the period was £3,990k.

The directors do not recommend the payment of a final dividend.

### *Directors*

The following directors have held office during the year

- A Armstrong
- R Blin (resigned 22 January 2010)
- R Clapham
- E Davies
- M Jankowski
- B Macdonald
- D Porter
- J Tucholski

The interests of the directors in the ordinary shares of the Company were as follows

	As at 26th June 2010	As at 27 <sup>th</sup> June 2009	As at 28th June 2008
R Clapham	-	-	-
M Jankowski	-	-	-
J Tucholski	-	-	-
D Porter	-	-	-
A Armstrong	25,000	25,000	25,000
E Davies	66,153	66,153	66,153

# Produce Investments Limited

R Clapham, R Blin and D Porter are members of Credential Produce LLP, which owns 750,455 shares (2009 750,455, 2008 750,455) in Produce Investments Limited

M Jankowski and J Tucholski are members of Produce Acquisitions LLP, which owns 279,977 shares (2009 279,977, 2008 279,977) in Produce Investments Limited

Options granted under the CSOP scheme held by the directors were as follows

	As at 28th June 2008	As at 27th June 2009	As at 26th June 2010	Exercise price	Earliest exercise date	Latest exercise date
A Armstrong	5,000	5,000	5,000	£6 00	Oct 2010	Oct 2017
E Davies	5,000	5,000	5,000	£6 00	Oct 2010	Oct 2017
B Macdonald	Nil	5,000	5,000	£6 00	May 2012	May 2019

## *Research and Development*

Research and Development continues in three major areas – developing new and improved potato varieties with increased resistance to diseases in conjunction with the Scottish Crop Research Institute, treatments and products to assist in the storage of potatoes, the introduction of potato products in a variety of formats including further processing that are additive and chemical free, whilst maintaining higher proportions of their healthy ingredients

## *Political and charitable donations*

Donations to UK charities amounted to £16,000 (2009 - £18,000) The Group made no political donations during the period

The Group has chosen Macmillan Cancer Support as its preferred charity for 2010

## *Land and Buildings*

The directors have adopted a policy of measuring land and buildings at historic cost

The directors are aware that if the land and buildings were being carried at market value, this may result in a materially different valuation than that presented in the statement of financial position In June 2009 a valuation was carried out by professional surveyors on an existing use basis, valuing the group's properties as a portfolio of assets That valuation would have increased the carrying value of land and buildings by £9 0m

## *Employee involvement*

The directors recognise the benefits which arise from keeping employees informed of the Group's progress and through their participation in the Group's performance The Group is therefore committed on a regular basis to provide its employees with information and to consult them so that their views may be taken into account in making decisions which may affect their interests and to encourage their participation in schemes through which they will benefit from the Group's progress and performance improvement

## *Disabled persons*

It is the Group's policy to ensure that disabled persons are treated fairly and consistently in terms of recruitment, training, career development and promotion and that their employment opportunities are based on a realistic assessment of their aptitudes and abilities Wherever possible, the Group will continue the employment of persons who become disabled during the course of their employment with the Group through retraining, acquisition of special aids and equipment or the provision of alternative employment

# Produce Investments Limited

## Auditors

Remuneration paid to Baker Tilly UK Audit LLP and its associates by all group companies during the period was as follows

	2010 £'000	2009 £'000	2008 £'000
Audit services – Baker Tilly UK Audit LLP			
Statutory audit of parent and consolidated accounts	30	22	20
Audit of subsidiaries	70	78	70
Tax services – Baker Tilly Tax and Accounting Limited			
Compliance services	35	34	34
Corporate finance transactions – Baker Tilly Corporate Finance LLP	-	-	40

Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue to act as auditor to the company

### *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 were unaware. Each of the directors have confirmed that they have taken all 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.

On behalf of the Board

**B Macdonald**  
Director

*B. Macdonald*  
8/10/2010

# Produce Investments Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 group and company financial statements for each financial year. The directors have elected under company law to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU")

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

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 group and of the profit or loss of the group for that period

In preparing the group financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether they have been prepared in accordance with IFRS as adopted by the EU,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

# Produce Investments Limited

## INDEPENDENT AUDITORS' REPORT

To the Members of Produce Investments Limited

We have audited the group and parent company financial statements ("the financial statements") on pages 8 to 68. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom 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 more fully explained in the Directors' Responsibilities Statement set out on page 6, 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 26 June 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.

*Baker Tilly UK Audit LLP*

JEREMY READ (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

MK9 1BP

*8 October 2010*



# Produce Investments Limited

## CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 26 June 2010

Company Registration Number 05624995

	<i>Notes</i>	2010 £'000	2009 £'000	2008 £'000
<b>CONTINUING OPERATIONS</b>				
Revenue	4	156,346	177,961	180,276
Cost of sales	7	(114,470)	(134,376)	(140,413)
Gross profit		41,876	43,585	39,863
Administrative and other operating expenses	7	(34,103)	(36,960)	(36,999)
Exceptional profit on disposal of property	7	-	352	-
Exceptional charge arising from reorganisation of operations	7	-	(4,646)	-
Operating profit, being profit before interest and tax		7,773	2,331	2,864
Finance costs	6	(2,212)	(3,746)	(2,707)
Finance income	6	22	80	240
Share of profit of an associate	3	2	21	13
Profit on disposal of an associate	3	15	-	-
Profit / (loss) before tax from continuing operations	7	5,600	(1,314)	410
Income tax expense	9	(1,610)	(1,387)	(527)
Profit / (Loss) for the 52 weeks		3,990	(2,701)	(117)
Attributable to				
Equity holders of the parent		3,978	(2,728)	(117)
Non- controlling interests		12	27	-
		3,990	(2,701)	(117)

# Produce Investments Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 26 June 2010

	<i>Notes</i>	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
Profit/(loss) for the 52 weeks		3,990	(2,701)	(117)
Other comprehensive income				
Actuarial (loss) in respect of pension scheme	20	(3,691)	(583)	(909)
Income tax effect	9	1,033	163	255
Other comprehensive income for the 52 weeks, net of tax		(2,658)	(420)	(654)
<b>Total comprehensive income for the 52 weeks, net of tax</b>		<b>1,332</b>	<b>(3,121)</b>	<b>(771)</b>
Attributable to				
Equity holders of the parent		1,320	(3,148)	(771)
Non- controlling interests		12	27	-
		<b>1,332</b>	<b>(3,121)</b>	<b>(771)</b>

**Produce Investments Limited**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 26 June 2010**

	<i>Notes</i>	<b>2010</b> <b>Group</b> <b>£'000</b>	<b>2009</b> <b>Group</b> <b>£'000</b>	<b>2008</b> <b>Group</b> <b>£'000</b>
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment	11	24,120	24,597	31,275
Intangible assets	12	12,096	12,602	13,055
Investment in an associate	3	162	182	161
Other non-current financial assets	13	309	-	222
Deferred tax assets	9	2,108	1,193	708
		<u>38,795</u>	<u>38,574</u>	<u>45,421</u>
Current assets				
Inventories	14	5,461	6,778	7,059
Biological assets	5	3,710	3,284	2,653
Trade and other receivables	15	15,440	15,350	16,790
Prepayments		956	1,711	1,269
Cash and short-term deposits	16	204	226	288
Deferred tax assets	9	152	30	60
		<u>25,923</u>	<u>27,379</u>	<u>28,119</u>
Non current assets classified as held for sale	10	500	500	-
<b>Total assets</b>		<u><b>65,218</b></u>	<u><b>66,453</b></u>	<u><b>73,540</b></u>
<b>EQUITY AND LIABILITIES</b>				
Equity				
Issued capital	17	-	-	-
Share premium	17	70	70	70
Other capital reserves	17	4,121	4,018	3,766
Retained earnings		(1,183)	(2,503)	645
Equity attributable to equity holders of the parent		<u>3,008</u>	<u>1,585</u>	<u>4,481</u>
Non-controlling interests		39	27	-
<b>Total equity</b>		<u><b>3,047</b></u>	<u><b>1,612</b></u>	<u><b>4,481</b></u>
Non-current liabilities				
Interest-bearing loans and borrowings	13	13,579	20,981	23,172
Other non-current financial liabilities	13	1,949	1,515	-
Provisions	18	-	122	-
Deferred revenue	19	88	44	19
Pensions and other post employment benefit obligations	20	5,579	2,329	2,275
Deferred tax liability	9	5,721	6,187	5,600
		<u>26,916</u>	<u>31,178</u>	<u>31,066</u>
Current liabilities				
Trade and other payables	22	21,471	20,751	25,933
Interest-bearing loans and borrowings	13	12,110	11,183	9,615
Deferred revenue	19	151	62	84
Income tax payable		1,410	1,427	2,361
Provisions		104	240	-
Deferred tax liability		9	-	-
		<u>35,255</u>	<u>33,663</u>	<u>37,993</u>
<b>Total liabilities</b>		<u><b>62,171</b></u>	<u><b>64,841</b></u>	<u><b>69,059</b></u>
<b>Total equity and liabilities</b>		<u><b>65,218</b></u>	<u><b>66,453</b></u>	<u><b>73,540</b></u>

The financial statements on pages 8 to 58 were approved for issue by the board of directors and signed on its behalf by  
B Macdonald (Director) on

*B. Macdonald*

8/10/2010

**Produce Investments Limited**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY-**  
**For the 52 weeks ended 26 June 2010**

	Issued Capital (Note 17)	Share premium (Note 17)	Other capital reserves (Note 17)	Retained earnings	Total	Non- controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 July 2007	-	70	-	1,416	1,486	-	1,486
Loss for the period	-	-	-	(117)	(117)	-	(117)
Actuarial loss on post employment benefit obligations	-	-	-	(909)	(909)	-	(909)
Deferred tax on actuarial loss	-	-	-	255	255	-	255
<b>Total comprehensive income</b>	-	-	-	<b>(771)</b>	<b>(771)</b>	-	<b>(771)</b>
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Shares issued on acquisition	-	-	3,500	-	3,500	-	3,500
<b>Total transactions with owners in their capacity as owners</b>	-	-	<b>3,500</b>	-	<b>3,500</b>	-	<b>3,500</b>
Share-based payment transactions	21	-	266	-	266	-	266
As at 28 June 2008	-	70	3,766	645	4,481	-	4,481
Profit or loss for period	-	-	-	(2,728)	(2,728)	27	(2,701)
Actuarial loss on post employment benefit obligations	-	-	-	(583)	(583)	-	(583)
Deferred tax on actuarial loss	-	-	-	163	163	-	163
<b>Total comprehensive income</b>	-	-	-	<b>(3,148)</b>	<b>(3,148)</b>	<b>27</b>	<b>3,121</b>
Share-based payment transactions	21	-	252	-	252	-	252
As at 27 June 2009	-	70	4,018	(2,503)	1,585	27	1,612
Profit for the period	-	-	-	3,978	3,978	12	3,990
Actuarial loss on post employment benefit obligations	-	-	-	(3,691)	(3,691)	-	(3,691)
Deferred tax on actuarial loss	-	-	-	1,033	1,033	-	1,033
<b>Total comprehensive income</b>	-	-	-	<b>1,320</b>	<b>1,320</b>	<b>12</b>	<b>1,332</b>
Share-based payment transactions	21	-	103	-	103	-	103
As at 26 June 2010	-	70	4,121	(1,183)	3,008	39	3,047

# Produce Investments Limited

## CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 26 June 2010

	<i>Notes</i>	2010 £'000	2009 £'000	2008 £'000
<b>Operating activities</b>	<b>7</b>			
Profit/(loss) before tax from continuing operations		5,600	(1,314)	410
<hr/>				
Adjustments to reconcile profit before tax for the year to net cash inflow from operating activities				
Depreciation and amortisation	7	3,687	4,256	4,222
Impairment of property, plant and equipment	7	-	4,085	
Share-based payment transaction expense	21	103	252	266
(Gain) / loss on disposal of property, plant and equipment		-	(352)	241
Finance income	6	(22)	(80)	(240)
Finance costs	6	2,212	3,746	2,707
Share or net profit of associate	3	(2)	(21)	(13)
Gain on disposal of investment in associated company	3	(15)	-	-
Difference between cash costs incurred in respect of biological assets and movement in fair value		(96)	(151)	729
Movement in provisions		(258)	362	-
Difference between pension contributions paid and amounts recognised in the income statement		(552)	(522)	(2)
Working capital adjustments				
Decrease / (increase) in trade and other receivables and prepayments		665	998	(637)
Decrease / (increase) in inventories		891	(199)	(2,663)
Increase / (decrease) in trade and other payables		109	(5,060)	(2,289)
Increase / (decrease) in deferred revenue		133	25	(71)
<hr/>				
Interest received		22	73	7
Income tax paid		(1,971)	(2,016)	(561)
Net cash flows from operating activities		10,506	4,082	2,106
<hr/>				
<b>Investing activities</b>				
Proceeds from sale of property, plant and equipment		93	579	155
Purchase of property, plant and equipment		(2,693)	(1,818)	(5,576)
Purchase of intangible assets		(104)	(119)	(12)
Purchase of shares in associated undertakings		-	-	(125)
Purchase of shares in subsidiary undertakings		-	-	(9,500)
Outflow on acquisition of subsidiary undertakings		-	-	(542)
Proceeds from sale of investment in associate		37	-	-
<hr/>				
Net cash flows used in investing activities		(2,667)	(1,358)	(15,600)
<hr/>				
<b>Financing activities</b>				
Payment of finance lease liabilities		(129)	(375)	(415)
Proceeds from borrowings		-	-	9,500
Repayment of borrowings		(2,124)	(2,124)	(1,855)
Interest paid		(1,433)	(2,045)	(2,005)
Net cash flows used in financing activities		(3,686)	(4,544)	5,225
<hr/>				
Net increase / (decrease) in cash and cash equivalents		4,153	(1,820)	(8,269)
<hr/>				
Cash and cash equivalents at beginning of 52 week period	16	(8,704)	(6,884)	1,385
Cash and cash equivalents at end of 52 week period	16	(4,551)	(8,704)	(6,884)

# Produce Investments Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 52 weeks ended 26 June 2010

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### 1 Corporate information

The consolidated financial statements of Produce Investments Limited for the 52 weeks ended 26 June 2010 were authorised for issue in accordance with a resolution of the directors on 8 October 2010. The Group is a limited company incorporated and domiciled in England, the United Kingdom (UK), whose shares are privately held and not listed on any public exchange. The registered office is located at Greenvale AP, Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW. The Group is engaged in the growing, sourcing and marketing of potatoes.

The company's immediate controlling party is Credential Produce LLP and the ultimate controlling party is Mr R Clapham.

The largest group in which the results of the company are consolidated is that headed by Credential Produce LLP (registered in Scotland). The consolidated accounts are available to the public and may be obtained from Produce Investments Limited, Greenvale AP, Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW.

### 2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and biological assets, which have both been measured at fair value in line with applicable accounting standards. The consolidated financial statements are presented in British pounds sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

#### *Statement of compliance*

For all periods up to and including the 52 weeks ended 27 June 2009, the Group prepared financial statements in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP). These financial statements, for the 52 weeks ended 26 June 2010, are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing these financial statements, the Group has elected to prepare 2 years of comparative financial information, consequently, the Group's opening statement of financial position was prepared as at 1 July 2007, the Group's date of transition to IFRS. An explanation of the principal adjustments made by the Group in restating its UK GAAP statement of financial position as at 1 July 2007, and its previously published UK GAAP financial statements for the year ended 27 June 2009 and 28 June 2008 is provided in Note 27.

#### *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 26 June 2010. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All material intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss

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## *Changes in accounting estimates and disclosures*

The Group has adopted all IFRS and IFRIC interpretations effective for periods beginning on or after 28 June 2009. It has elected to early adopt IFRS 3 and IAS 27 revised which only apply from 1 July 2009 and the accounting period starts on 28 June 2009. These standards have been applied to appropriate business combinations which have occurred since the date of transition to IFRS.

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

## *IFRIC 17 Distributions of Non-cash Assets to Owners*

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

## *IFRS 9 Financial Instruments*

On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 has not yet been endorsed for use in the EU. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013. The Group expects that there will be no material impact on the consolidated financial statements from this interpretation.

## *Key sources of estimation uncertainty*

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the valuation of biological assets, the measurement and impairment of goodwill, the measurement of defined benefit pension obligations and the estimation of share based payment costs. The measurement of biological assets requires assumptions regarding expected yields of crops, percentage of crop that are saleable, and the expected market value at the date of harvest (see note 5). The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see note 12). Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate (see note 20). The estimation of share based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees (see note 21).

## *Summary of significant accounting policies*

### Business combinations and goodwill

#### *Business combinations*

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values, at the date of acquisition, of the assets transferred, liabilities incurred, and equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs incurred are expensed. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

#### *Goodwill*

Goodwill is initially measured at cost being the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity in the acquiree, over the fair

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value of the Group's share of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Investment in an associate

The Group's non-controlling investments in other entities are accounted for on one of two bases, depending on the conditions relevant to each investment.

An associate is an entity in which the Group has significant influence. Where such conditions exist, the entity is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

Where the Group does not exert significant influence on an entity in which the Group holds a non-controlling investment, this investment is accounted for at historic cost, less provisions for any impairment as discussed below.

After application of either the equity or cost method in line with the circumstances described above, the Group determines at each reporting date whether there is any evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impaired amount in the income statement.

### Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are carried as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is both highly probable and the asset is available for immediate sale in its present condition.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.



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## Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes (e.g. Value Added Tax) or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Usually the risks and rewards of ownership transfer on despatch of the goods, however, for some customers, the risks and rewards of ownership pass to the buyer when the goods arrive with the buyer. Revenue from the sale of potatoes to retailers and processors and the sale of dehydrated potatoes to processors is recognised on dispatch. Revenue from the sale of seed potatoes is recognised on confirmed delivery. Given that goods are principally fresh food products that arrive with the buyer within hours of despatch, the date of despatch and the date of arrival are typically the same.

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms. Rentals paid in advance are recognised as deferred revenue.

## Biological assets and agricultural produce

The Group's operations include activities which are agricultural in nature and are subject to the recognition, measurement and disclosure requirements of IAS 41 Agriculture. The Group has identified its potato crops in the ground as biological assets. These assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Gains or losses arising on initial recognition of both biological assets and agricultural produce and any subsequent changes in fair value are recognised in the income statement in the period in which they arise.

## Taxes

### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised in other comprehensive income and not in the income statement.

### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Pensions and other post employment benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. From 31 October 2007 the defined benefit plan has ceased to accrue benefits going forward and accordingly there are no current service costs. The Group will continue to fund the scheme to ensure that it can meet its obligations. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, calculated by an independent actuary every 3 years, and updated on an annual basis. Actuarial gains and losses are recognised directly in equity and included as part of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Asset fair values are based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In addition to the defined benefit plan, the Group operates a stakeholder scheme and a personal pension plan. These are both defined contribution schemes. Contributions payable into these schemes during the period are charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

### Share-based payment transactions

#### *Equity-settled transactions*

The cost of equity settled transactions with employees is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black Scholes option pricing model. For grants prior to 2010, fair value was determined using the intrinsic valuation method permitted under IFRS 2.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance criteria are satisfied.

At the balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non market conditions. The number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous reporting date is recognised in profit or loss, with a corresponding entry in equity.

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Where the terms of an equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

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 profit and loss account 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 profit and loss account.

## Financial assets

### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

## Financial liabilities

### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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## Derivative financial instruments and hedge accounting

### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group has not designated any derivatives for hedge accounting.

### *Current versus non-current classification*

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows)

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made

## Property plant and equipment

Property plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows

- Buildings 5 to 50 years
- Plant and equipment 5 to 15 years
- Fixtures, fittings and equipment 2 to 10 years

Land is not depreciated

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

## Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### *Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

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## *Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

## Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. All intangible assets of the Group, other than Goodwill, are assessed as having finite lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised within Administrative and other operating expenses in the income statement.

## *Research and development costs*

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Amortisation of the asset begins when development is complete and the asset is available for use. Such assets are amortised straight line over 5 years, being the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

## *Patents and licences*

Patents are the accumulated costs of applying for patents in the United Kingdom. An amortisation period of 3 years (straight line) is used as a conservative estimate of the length of effectiveness of the patent.

## Foreign currency translation

The Group's consolidated financial statements are presented in British pounds, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

## *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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## Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials - purchase cost on a first in, first out basis
- Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Agricultural produce is recognised at fair value less costs to sell at the date of harvest. Once harvested, these goods are subsequently accounted for under IAS2 in the same manner as other inventories purchased from third parties.

## Impairment of non-financial assets including goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Impairment losses relating to goodwill are not reversed in future periods.

## Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

## Exceptional items

The Group presents as exceptional items on the face of the income statement those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in that year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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## 3 Investments in associates

The Group has non controlling investments in 2 companies. It has also disposed of one non controlling investment during the period ended 26 June 2010. Details on these investments are provided in more detail as follows:

### Organic Potato Growers (Scotland) Limited

The Group has a 33.3% interest in Organic Potato Growers (Scotland) Limited, a company incorporated in Scotland which is involved in the growing of potatoes. The Group paid £125,000 to acquire its interest in Organic Potato Growers (Scotland) Limited and this cost is reflected within the carrying value of the investment. The Group equity accounts for this investment.

Organic Potato Growers (Scotland) Limited is a private entity that is not listed on any public exchange. Organic Potato Growers (Scotland) Limited reports its financial performance with a year end of 31 May. The following table illustrates summarised financial information of the Group's investment in Organic Potato Growers (Scotland) Limited.

	2010 £'000	2009 £'000	2008 £'000
Share of the associate's statement of financial position			
Current assets	184	302	212
Non-current assets	552	476	328
Current liabilities	(292)	(301)	(169)
Non-current liabilities	(335)	(374)	(274)
Equity	109	103	97
Share of the associate's revenue and profit			
Revenue	360	278	277
Profits	3	6	17
Carrying amount of the investment	140	137	131

### Brookland Solutions Limited

The Group had a 24.5% interest in Brookland Solutions Limited, a company incorporated in England which is involved in information technology. The investment was disposed of in April 2010. The group did not pay any consideration to acquire its investment in Brookland Solutions Limited. Prior to disposal, the Group equity accounted for this investment.

Brookland Solutions Limited is a private entity that is not listed on any public exchange. Brookland Solutions Limited reports its financial performance with a year end of 31 December. The following table illustrates summarised financial information of the Group's investment in Brookland Solutions Limited.

	2010 £'000	2009 £'000	2008 £'000
Share of the associate's statement of financial position			
Current assets	-	60	50
Non-current assets	-	2	1
Current liabilities	-	(33)	(36)
Non-current liabilities	-	-	-
Equity	-	29	15
Share of the associate's revenue and profit			
Revenue	-	92	97
Profits	-	23	8
Carrying amount of the investment	-	23	8

The investment was disposed of in April 2010 at a consideration of £38,200. No equity accounting has been performed in the current period as the amounts involved are not material.

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## BROP

The Group has a 30.0% interest in BROP, a company incorporated in the Czech Republic which is involved in the growing and selling of potatoes. BROP is a private entity that is not listed on any public exchange. The group does not exert significant influence over this entity and therefore does not regard it as an associate. The group has reached this conclusion because there is no group involvement in BROP's day to day trading and management, no participation in everyday decisions, no exchanges of personnel between the entities and no essential technical information exchanged between the entities.

The group therefore accounts for its interest in BROP at cost, less provision for impairment if necessary.

The following table illustrates summarised financial information of the Group's investment in BROP.

	2010	2009	2008
	£'000	£'000	£'000
Share of the associate's statement of financial position			
Current assets		295	500
Non-current assets		55	55
Current liabilities		(116)	(354)
Non-current liabilities		-	-
Equity		234	201
Share of the associate's revenue and profit			
Revenue		2,511	1,900
Profits		33	48
Carrying amount of the investment	22	22	22

The latest available financial information is the audited accounts for the year ended 30 June 2009.

#### **4 Operating segment information**

Management have determined the operating segments based on the reports utilised by the directors that are used to make strategic decisions. These are split as follows:

- Fresh
- Processing
- Other

Fresh comprises the sites, staff and assets that grow, source, pack and deliver fresh potatoes to customers, ranging from large retailers, wholesalers to small private businesses. As an element of raw material is not suitable for this purpose it also includes any supplementary sales achieved.

Processing comprises the staff and assets that supply pre-prepared potato products which are ultimately sold as ingredients for food manufacturers.

Other comprises seed sales for both the UK and export, traded volume where Greenvale acts as an intermediary between the farmer and the end customer taking a small margin to cover costs, and all sales activities of Restrain Company Limited, a 70% owned subsidiary that provides ethylene based storage solutions for potatoes and onions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. Assets and liabilities are not segmented for management information purposes for consideration by the Board as the Chief Operating Decision Maker other than as below. Assets and Liabilities are discussed further below.



# Produce Investments Limited

Inventory procurement, receivables and payables are managed centrally and as a result assets and liabilities are managed at Group level. Consequently, no segmental analysis of these items is presented.

## Operating segment information

52 weeks ended 26 June 2010

	Fresh £000	Processing £000	Other £000	Total £000
Revenue	121,785	7,014	27,547	156,346
Depreciation and amortisation	(2,705)	(627)	(355)	(3,687)
Other operating costs	(111,939)	(6,081)	(26,866)	(144,886)
<b>Operating profit</b>	<b>7,141</b>	<b>306</b>	<b>326</b>	<b>7,773</b>
Costs not allocated				
Finance costs				(2,212)
Finance income				22
Share of profit of associate				2
Profit on disposal of associate				15
<b>Profit before tax</b>				<b>5,600</b>
Capital expenditure	(1,824)	(44)	(825)	(2,693)
Development costs	-	-	(104)	(104)

# Produce Investments Limited

52 weeks ended 27 June 2009

	Fresh £000	Processing £000	Other £000	Total £000
Revenue	142,976	6,818	28,167	177,961
Depreciation and amortisation	(2,812)	(1,053)	(391)	(4,256)
Exceptional profit on disposal of property	-	-	352	352
Exceptional - reorganisation of operations	-	(4,646)	-	(4,646)
Other operating costs	(132,890)	(7,101)	(27,089)	(167,080)
<b>Operating profit / (loss)</b>	<b>7,274</b>	<b>(5,982)</b>	<b>1,039</b>	<b>2,331</b>
Costs not allocated				
Finance costs				(3,746)
Finance income				80
Share of profit of associate				21
<b>Loss before tax</b>				<b>(1,314)</b>
Capital expenditure	(1,213)	(102)	(503)	(1,818)
Development costs	-	-	(119)	(119)

52 weeks ended 28 June 2008

	Fresh £000	Processing £000	Other £000	Total £000
Revenue	146,333	7,627	26,316	180,276
Depreciation and amortisation	(2,797)	(1,134)	(291)	(4,222)
Other operating costs	(140,097)	(8,243)	(24,850)	(173,190)
<b>Operating profit / (loss)</b>	<b>3,439</b>	<b>(1,750)</b>	<b>1,175</b>	<b>2,864</b>
Costs not allocated				
Finance costs				(2,707)
Finance income				240
Share of profit of associate				13
<b>Profit before tax</b>				<b>410</b>
Capital expenditure	(2,748)	(2,631)	(261)	(5,640)
Development costs	-	-	(12)	(12)

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. The revenues and operating profit / (loss) per reportable segment agree in aggregate to the consolidated totals per the financial statements.

## Segmentation of Assets and liabilities

Investments in associates are not segmented. Such items are managed at board level and are not integral to the operations of any of the group segments.

Other non current financial assets and liabilities are not segmented. Such items are managed at board level with the support of the group central services team. These items are not integral to the operations of any of the group segments.

No segmentation is presented in respect of receivables, payables and cash. The group central services team manages group treasury, cashflow, payables and receivables independently from the operating segments.

# Produce Investments Limited

Taxation matters are managed by the group central services team and are not segmented

Inventories and biological assets are managed centrally by the group procurement team. Inventories are usually stored at a group location most appropriate for the supplier to deliver the goods to, usually the closest geographical location to the supplier. The inventories are then used in the delivery of goods and services to all segments within the group.

The group central services team coordinates prepayments, accruals and provisions and these are not segmented.

The deferred revenue is managed by the central services team. All deferred revenue relates to the 'other' segment.

## **Intangible assets**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fresh	-	-	-
Processing	11,880	12,405	12,930
Other	216	197	125
<b>Total</b>	<b>12,096</b>	<b>12,602</b>	<b>13,055</b>

## **Property, plant and equipment analysis**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fresh	12,101	12,286	13,188
Processing	2,594	2,804	8,079
Other	1,865	1,587	1,728
Unallocated	7,560	7,920	8,280
<b>Total</b>	<b>24,120</b>	<b>24,597</b>	<b>31,275</b>

The amounts for items which are not segmented are disclosed in the balance sheet.

## Geographical information

### **Revenues from external customers**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK	151,285	172,230	174,290
Other EU countries	2,697	2,493	3,167
Rest of the world	2,364	3,238	2,819
<b>Total revenue per consolidated income statement</b>	<b>156,346</b>	<b>177,961</b>	<b>180,276</b>

The revenue information above is based on the location of the customer.

# Produce Investments Limited

The group has two significant customers included within the fresh segment, with turnover as listed below

	2010 £000	2009 £000	2008 £000
Customer 1	73,856	90,682	91,812
Customer 2	34,048	37,582	39,023

## 5 Biological assets

	2010 £'000	2009 £'000	2008 £'000
Opening value of biological assets	3,284	2,653	2,707
Harvested potatoes transferred to inventories	(6,840)	(5,515)	(5,566)
Changes in fair value	96	151	(729)
Growing costs invested in the crop	7,170	5,995	6,241
Closing value of biological assets	3,710	3,284	2,653

The fair values above are attributable to consumable biological assets, where the Group has ownership of such assets at the balance sheet date. The fair values have been calculated as the present value of the net cashflows expected to be generated by crops at the reporting date. The key assumptions used in determining the fair value have been as follows

- Future costs of growing are based on forecast amounts
- Selling prices are based on management's estimate of the year's harvest prices
- Ware yields between 14-23 tonnes per acre, depending on variety
- Seed yields between 10-22 tonnes per acre, depending on variety

The biological assets represent crops of partially grown potatoes at each balance sheet date. These are usually planted between February and May each year, depending on the geography, variety and weather and remain un-harvested at the end of June.

The UK potato growing season runs typically from February through to October. The Group plants between 2,000 – 3,500 acres of land every growing season, with an expected yield of 30,000-60,000 tonnes of potatoes at harvest. This 'own grown' harvest of potatoes supplements the external purchases required to meet the demands of the group's customers. Financial risk is therefore restricted to the actual costs invested in the crop, and this is monitored regularly to ensure that there are no exposures in the asset base of the group.

The fair value, less costs to sell, of biological assets harvested during the period was £6,840,000 (2009 £5,515,000, 2008 £5,566,000)

There are no restrictions on title of the crops growing in the ground. However, as part of Clydesdale bank's overall charge on the assets of the business, the bank reserves the right to place a charge on the stocks of the company, including growing stocks, in the event such security is required.

The group had commitments at the reporting date of £712k in respect of developing or acquiring biological assets. This represents land rents and planting costs payable during the remainder of the growing cycle.

### Growing potatoes

	2010	2009	2008
Acres planted at the end of the year	3,303	2,951	2,498
Expected yield (tonnes/ acre)	17.3	17.2	17.1

# Produce Investments Limited

## 6 Finance costs and finance income

### Finance costs

	2010	2009	2008
	£'000	£'000	£'000
Interest on overdrafts and other finance costs	1,518	1,839	2,115
Other interest costs	111	-	142
Finance charges payable under finance leases and HP contracts	23	52	47
Net loss on financial assets and liabilities at fair value through profit and loss	434	1,737	241
Interest on loan notes	126	118	162
<b>Total finance costs</b>	<b>2,212</b>	<b>3,746</b>	<b>2,707</b>

### Finance income

	2010	2009	2008
	£'000	£'000	£'000
Interest receivable	22	73	7
Other finance income	-	7	233
<b>Total finance income</b>	<b>22</b>	<b>80</b>	<b>240</b>

# Produce Investments Limited

## 7 Income statement by nature and items of expenditure included in the consolidated income statement

	2010 £'000	2009 £'000	2008 £'000
Revenue	156,346	177,961	180,276
Cost of inventories recognised as an expense	(83,900)	(102,681)	(110,814)
Consumables	(21,927)	(22,503)	(19,759)
Other external charges and direct sales costs	(8,643)	(9,192)	(9,840)
Staff costs	(20,370)	(21,476)	(21,096)
Depreciation			
- owned	(2,850)	(3,432)	(3,410)
- leased	(227)	(252)	(247)
Amortisation	(610)	(572)	(565)
Other operating charges	(8,759)	(9,673)	(9,981)
Research and development	(315)	(263)	(236)
Net foreign exchange differences	11	4	52
Minimum lease payments recognised as operating expense			
- plant and machinery	(541)	(798)	(772)
- fixtures and fittings	(263)	(288)	(293)
- land and buildings	(179)	(210)	(210)
Profit / (loss) on disposal of property	-	352	(241)
Impairment on reorganisation of group operations	-	(4,646)	-
<b>Operating profit</b>	<b>7,773</b>	<b>2,331</b>	<b>2,864</b>
Profit on disposal of investments	15	-	-
Share of associate investment	2	21	13
Finance costs	(2,212)	(3,746)	(2,707)
Finance income	22	80	240
<b>Profit / (loss) before tax</b>	<b>5,600</b>	<b>(1,314)</b>	<b>410</b>

The Group has no contingent rents or sublease payments (2009 NIL, 2008 NIL) in respect of operating leases where the Group is a lessor or a lessee

Auditor remuneration for each of the periods presented is included within the directors' report and amounts in total to £125,000 (2009 £134,000, 2008 £164,000)

# Produce Investments Limited

## 8 Employee benefits expense

	2010	2009	2008
	£'000	£'000	£'000
Wages and salaries	18,217	19,130	18,213
Social security costs	1,568	1,659	1,604
Pension costs	482	435	1,013
Share-based payment expense	103	252	266
<b>Total employee benefit expenses</b>	<b>20,370</b>	<b>21,476</b>	<b>21,096</b>

*Wages and salaries include agency labour amounting to £1,586,000 (2009 £1,922,000, 2008 £1,575,000)*

The average monthly number of persons (including directors) employed by the group during the period is disclosed within the directors' report

The aggregate amount of remuneration paid to senior management by the group during the period was

	2010	2009	2008
	£'000	£'000	£'000
In respect of the directors			
Emoluments for qualifying services	449	417	518
Company pension contributions to money purchase scheme	105	105	113
Employer's National Insurance	50	44	60
Share Based Payments	9	23	19
Compensation for loss of office	-	-	65

The above remuneration includes all executive directors of the group but excludes non-executive directors. All fees paid to non-executive directors are disclosed within the related party note (note 23)

Emoluments disclosed above include the following amounts paid to the highest paid director

	2010	2009	2008
	£'000	£'000	£'000
Emoluments for qualifying services	194	113	153
Company pension contributions to money purchase scheme	-	81	9
Employer's National Insurance	23	12	19
Share Based Payments	2	6	-
Accrued pension at the end of the period	-	-	67
Compensation for loss of office	-	-	65

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## 9 Income tax

The major components of income tax expense for the period are

### Consolidated income statement

	2010 £'000	2009 £'000	2008 £'000
Current income tax expense	2,140	1,055	1,098
Amounts overprovided in previous years	(69)	37	289
<b>Total current income tax</b>	<b>2,071</b>	<b>1,092</b>	<b>1,387</b>
Deferred tax			
Origination and reversal of temporary differences	(596)	304	(854)
Adjustments in respect of previous years	135	(9)	(6)
	<b>461</b>	<b>295</b>	<b>(860)</b>
<b>Tax expense in the income statement</b>	<b>1,610</b>	<b>1,387</b>	<b>527</b>

### Consolidated statement of comprehensive income

	2010 £'000	2009 £'000	2008 £'000
Deferred tax related to items credited directly to equity during the year			
Actuarial loss on retirement benefit obligations	(1,033)	(163)	(255)
<b>Income tax credited directly to equity</b>	<b>(1,033)</b>	<b>(163)</b>	<b>(255)</b>

There are no income tax consequences attaching to the payments of dividends by the group to its shareholders

A reconciliation between tax expense and the product of accounting profit multiplied by the UK's domestic tax rate for the period is as follows

	2010 £'000	2009 £'000	2008 £'000
Profit before tax	5,600	(1,314)	410
Tax at 28%	1,568	(368)	116
Effect of			
Expenses non deductible	(24)	647	30
Effect of withdrawal of IBA	0	1,080	0
Change in tax rate	0	0	98
Adjustments in respect of prior years	66	28	283
<b>Tax expense in the income statement</b>	<b>1,610</b>	<b>1,387</b>	<b>527</b>



# Produce Investments Limited

## Deferred tax

The deferred tax included in the statement of financial position is as follows

<b>Non current deferred tax liabilities</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	1,841	2,060	1,163
Other	2,118	2,218	2,319
Acquisition fair value adjustments (customer lists)	1,762	1,909	2,056
Fair value of interest rate swaps	-	-	62
	<b>5,721</b>	<b>6,187</b>	<b>5,600</b>
<b>Non current deferred tax assets</b>			
Pensions and post employment obligations	1,562	652	637
Fair value of interest rate swaps	546	424	-
Other	-	117	71
	<b>2,108</b>	<b>1,193</b>	<b>708</b>
<b>Current deferred tax liabilities</b>			
Temporary differences arising from valuation of biological assets	9	-	-
	<b>9</b>	<b>-</b>	<b>-</b>
<b>Current deferred tax assets</b>			
Temporary differences arising from valuation of biological assets	-	18	60
Other	152	12	-
	<b>152</b>	<b>30</b>	<b>60</b>
<b>Net deferred tax position</b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net deferred tax</b>	<b>3,470</b>	<b>4,964</b>	<b>4,832</b>
<b>Reconciliation of total deferred tax movements</b>			
	<b>2010</b>	<b>2009</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening net deferred tax</b>	<b>4,964</b>	<b>4,832</b>	<b>4,832</b>
Income statement	(461)	295	
Statement of comprehensive income	(1,033)	(163)	
<b>Closing net deferred tax</b>	<b>3,470</b>	<b>4,964</b>	<b>4,964</b>

# Produce Investments Limited

The deferred tax included in the income statement is as follows

	2010 £'000	2009 £'000	2008 £'000
Accelerated capital allowances	(219)	(183)	(437)
Industrial buildings allowance adjustment	-	1,080	-
Pensions and post employment obligations	123	148	97
Other	(123)	(159)	(101)
Acquisition fair value adjustments - customer lists	(147)	(147)	(147)
Movement in fair value of interest rate swap	(122)	(486)	(68)
Temporary differences arising from valuation of biological assets	27	42	(204)
<b>Deferred income tax (credit) / expense</b>	<b>(461)</b>	<b>295</b>	<b>(860)</b>

## 10 Reorganisation of operations/ Assets held for resale

On 14 June 2009 the Group commenced a reorganisation of its processing operations. As a result of this reorganisation, the group ceased to trade from its Wisbech facility, owned by Greenvale Foods Limited, and transferred the customer base, together with various fixed and current assets, to other parts of the group. Greenvale Foods Limited ceased to trade on the date of this reorganisation. Following the reorganisation, the following costs were recorded in the income statement

	2010 £'000	2009 £'000	2008 £'000
Impairment of property, plant and equipment (note 11)	-	4,085	-
Write down of current asset balances	-	199	-
Provision for close down costs (note 18)	-	362	-
	-	4,646	-

### *Asset held for resale*

The plant and equipment within the Wisbech facility were written down to zero where the assets could not be used elsewhere within the group nor realised for value to third parties. The factory building and offices were reclassified as an asset held for resale. These premises were valued at £500,000 as of June 2009 following obtaining an independent valuation. The directors do not believe there has been a significant change in the valuation of the premises since June 2009 and have retained the same valuation in the financial statements for June 2010.

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## 11 Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 July 2007	18,546	12,237	449	31,232
Additions	531	5,049	60	5,640
Acquisition of subsidiary undertaking	-	2,814	31	2,845
Disposals	-	(1,769)	-	(1,769)
At 28 June 2008	19,077	18,331	540	37,948
Additions	331	1,411	76	1,818
Disposals	(297)	(242)	-	(539)
Reclassification to assets held for resale	(1,558)	-	-	(1,558)
At 27 June 2009	17,553	19,500	616	37,669
Additions	181	2,455	57	2,693
Disposals	-	(190)	(5)	(195)
At 26 June 2010	17,734	21,765	668	40,167
<b>Depreciation and impairment</b>				
At 1 July 2007	915	3,352	122	4,389
Depreciation for the period	828	2,712	117	3,657
Disposals	-	(1,373)	-	(1,373)
At 28 June 2008	1,743	4,691	239	6,673
Depreciation for the period	854	2,718	112	3,684
Impairment	1,058	3,015	12	4,085
Disposals	(109)	(203)	-	(312)
Reclassification to assets held for resale	(1,058)	-	-	(1,058)
At 27 June 2009	2,488	10,221	363	13,072
Depreciation for the period	667	2,286	124	3,077
Disposals	-	(97)	(5)	(102)
At 26 June 2010	3,155	12,410	482	16,047
<b>Net book value</b>				
At 26 June 2010	14,579	9,355	186	24,120
At 27 June 2009	15,065	9,279	253	24,597
At 28 June 2008	17,334	13,640	301	31,275

### Finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 26 June 2010 was £961,000 (2009 £1,188,000, 2008 £1,440,000, 1 July 2007 £641,000) Additions during the year include £NIL (2009 £NIL, 2008 £1,046,000) of plant and equipment under finance leases and hire purchase contracts Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities

### Assets used as security

Land and buildings with a carrying amount of £14.6m (2009 £15.1m 2008 £17.3m 1 July 2007 £17.6m) are subject to a first charge to secure two of the Group's bank loans (Note 13)

# Produce Investments Limited

## 12 Intangible assets

	Goodwill £'000	Customer relationships £'000	Development Costs £'000	Patent costs £'000	Total £'000
Cost or valuation					
At 1 July 2007	-	-	183	12	195
Additions	5,587	7,868	12	-	13,467
At 28 June 2008	5,587	7,868	195	12	13,662
Additions	-	-	119	-	119
At 27 June 2009	5,587	7,868	314	12	13,781
Additions	-	-	104	-	104
At 26 June 2010	5,587	7,868	418	12	13,885
Amortisation					
At 1 July 2007	-	-	30	12	42
Amortisation for the period	-	525	40	-	565
At 28 June 2008	-	525	70	12	607
Amortisation for the period	-	525	47	-	572
At 27 June 2009	-	1,050	117	12	1,179
Amortisation for the period	-	525	85	-	610
At 26 June 2010	-	1,575	202	12	1,789
Net book value					
At 26 June 2010	5,587	6,293	216	-	12,096
At 27 June 2009	5,587	6,818	197	-	12,602
At 28 June 2008	5,587	7,343	125	-	13,055

The carrying amount of goodwill and customer relationships is attributable to the acquisition of Swancote Foods which was completed in July 2007

The Group tests goodwill and the value of customer relationships for impairment on an annual basis. The amounts calculated are based on the future cash flows generated based upon a value in use basis.

The key assumptions for the value in use calculations are

- the forecasted changes in volumes (by consideration of future sales plans and production capacity),
- revenues (by management's growth estimates of revenue to existing and new customers based on an understanding of the needs of those customers obtained through working relationships),
- cost of sales and direct costs (by assessing efficiency of processes and underlying anticipated purchase prices),
- future anticipated capital expenditure

A discount rate of 11% has been used in these calculations applied to post tax projections. This equates to a pre-tax discount rate of approximately 15%. The Group updates cash flow forecasts based on the most recent budgets/forecasts approved and reviewed by the directors and extends these forward for the next five years based on those forecasts with a residual terminal value computed at the end of year five. The revenue growth rate used for impairment tests in the forecasts assumes an average increase of 3.5% per annum for the next five years, with a 1% annual increase assumed thereafter. This growth rate was applied from 2011 through 2015 with budget as the base for the year to June 2011. Direct and indirect costs are inflated over the same period between 3% and 6%, with a 1% annual increase assumed thereafter.

Sensitivities have been carried out by the directors and they are comfortable that there is no requirement for any impairment of goodwill or customer relationships. The directors will continue to perform reviews of these balances at least annually to ensure that any changes in customer or market conditions are considered.

# Produce Investments Limited

## 13 Other financial assets and liabilities

### *Other financial assets*

	2010	2009	2008
	£'000	£'000	£'000
Cash held on long term deposit at bank	309	-	-
Interest rate derivatives	-	-	222
Non-current	309	-	222

The Group uses interest rate swaps to manage interest rate risk on interest-bearing loans and borrowings, which mean the Group pays a fixed interest rate rather than being subject to fluctuations in the variable rate. The Group has not designated these derivatives as cash flow hedges. In 2008 these carried a positive fair value and were therefore carried as an asset. These are aged in line with the maturity of the loans against which they were taken out. Consequently, such derivatives are treated as non-current in these financial statements.

# Produce Investments Limited

## Other financial liabilities

			2010 £'000	2009 £'000	2008 £'000
Interest rate derivatives			1,949	1,515	-
<b>Non-current</b>			<b>1,949</b>	<b>1,515</b>	<b>-</b>
<b>Interest-bearing loans and borrowings</b>	<b>Interest rate %</b>	<b>Maturity</b>	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
<b>Current interest-bearing loans and borrowings</b>					
Obligations under finance leases and hire purchase contracts (Note 24)	7%	July 2011 to March 2012	151	129	319
Bank overdraft & Invoice Discount facility	BASE+3 1%	On demand	4,755	8,930	7,172
£11,500,000 bank loan	LIBOR+1 75	April 2021	768	767	767
£ 2,000,000 bank loan	LIBOR+2 25	April 2013	286	286	286
£ 2,000,000 bank loan	LIBOR+2 50	June 2014	-	-	-
£ 7,500,000 bank loan	LIBOR+2 25	June 2014	1,071	1,071	1,071
£ 5,184,250 loan notes	Discounted at 7 74%	June 2011	5,079	-	-
<b>Total current interest-bearing loans and borrowings</b>			<b>12,110</b>	<b>11,183</b>	<b>9,615</b>
<b>Non-current interest-bearing loans and borrowings</b>					
Obligations under finance leases and hire purchase contracts (Note 24)	7%	July 2011 to March 2012	89	184	369
£11,500,000 bank loan	LIBOR+1 75	April 2021	7,437	8,434	9,201
£ 2,000,000 bank loan	LIBOR+2 25	April 2013	571	857	1,143
£ 2,000,000 bank loan	LIBOR+2 50	June 2014	2,000	2,000	2,000
£ 7,500,000 bank loan	LIBOR+2 25	June 2014	3,482	4,553	5,624
£ 5,184,250 loan notes	Discounted at 7 74%	June 2011	-	4,953	4,835
<b>Total non-current interest-bearing loans and borrowings</b>			<b>13,579</b>	<b>20,981</b>	<b>23,172</b>

### Bank overdraft and invoice discounting facility

The bank overdraft and invoice discounting facility are secured against inventories and trade receivables

The bank overdraft is also secured by a composite cross guarantee given by all group companies. These borrowings are also secured by first legal charges over land and buildings, debenture over all present and future assets of the group and assignment of keyman life-insurance policies on key management within the group.

### Obligations under finance lease and hire purchase contracts

Obligations under finance leases and hire purchase contracts are secured on the underlying assets

### £11,500,000 bank loan

This loan is repayable quarterly in instalments of £192,000 and is secured on the assets of the group

### £2,000,000 bank loan

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This loan is repayable quarterly in instalments of £71,000 and is secured on the assets of the group

## £2,000,000 bank loan

This loan is repayable on 30 June 2014 and is secured on the assets of the group

## £7,500,000 bank loan

This loan is repayable quarterly in instalments of £268,000 and is secured on the assets of the group

## Zero-coupon loan notes

The zero-coupon loan notes are redeemable on 28 June 2011. The face value of these loan notes is discounted to their net present value using a discount rate of 7.74%. The resulting discount is unwound and charged to profit or loss over the period until redemption.

## Fair values

The directors do not consider there to be any material differences between the fair values and carrying values of any financial assets or liabilities recorded within these financial statements at the reporting date.

## Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 26 June 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	26 June 2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through the income statement				
Interest rate derivatives	--	-	-	-
Liabilities measured at fair value	26 June 2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial liabilities at fair value through the income statement				
Interest rate derivatives	1,949	-	1,949	-

The above liabilities are shown on the statement of financial position as Other non current financial liabilities.

During the reporting period ending 26 June 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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At 27 June 2009, the Group held the following financial instruments measured at fair value

<b>Assets measured at fair value</b>	<b>27 June 2009 £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
Financial assets at fair value through the income statement				
Interest rate derivatives	--	-	-	-
<b>Liabilities measured at fair value</b>	<b>27 June 2009 £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
Financial liabilities at fair value through the income statement				
Interest rate derivatives	1,515	-	1,515	-

The above liabilities are shown on the statement of financial position as Other non current financial liabilities

During the reporting period ending 27 June 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

As at 28 June 2008, the Group held the following financial instruments measured at fair value

<b>Assets measured at fair value</b>	<b>28 June 2008 £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
Financial assets at fair value through the income statement				
Interest rate derivatives	222	-	222	-
<b>Liabilities measured at fair value</b>	<b>28 June 2008 £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
Financial liabilities at fair value through the income statement				
Interest rate derivatives	-	-	-	-

The above assets are shown on the statement of financial position as Other non current financial assets

During the reporting period ending 28 June 2008, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

## 14 Inventories

	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Raw materials (at cost)	5,254	6,423	6,623
Finished goods (at cost or net realisable value)	207	355	436
<b>Total inventories at cost and net realisable value</b>	<b>5,461</b>	<b>6,778</b>	<b>7,059</b>

The inventories values above exclude the values of crops of potatoes growing in the ground. These are reflected separately as biological assets and are discussed in note 5

There are no provisions against the above inventory at the period end (2009 £m, 2008 £m). No reversals of any such provisions have been recorded in any of the periods presented



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## 15 Trade and other receivables

	2010 £'000	2009 £'000	2008 £'000
Trade receivables	14,778	14,724	16,130
Other receivables	662	626	660
<b>Total trade and other receivables</b>	<b>15,440</b>	<b>15,350</b>	<b>16,790</b>

Trade receivables are non-interest bearing and are generally 30-90 day terms

There were no trade receivables due from related parties at 26 June 2010 (2009 £50,000, 2008 £79,000) Receivables from related parties are subject to the same terms and conditions applied to receivables from third parties

Receivables are in sterling denominations, with the exception of €358,000 (2009 €330,000 , 2008 €448,000) and SEK 842,000 (2009 SEK 1,839,000 , 2008 SEK 664,000)

As at 26 June 2010, trade receivables at initial value of £126,000 (2009 £177,000, 2008 £124,000, 1 July 2007 £187,000) were impaired and fully provided for See below for the movements in the provision for the impairment of receivables

	Total £'000
At 1 July 2007	187
Charge for the 52 week period	18
Utilised	(81)
At 28 June 2008	124
Charge for the 52 week period	224
Utilised	(171)
At 27 June 2009	177
Charge for the 52 week period	100
Utilised	(151)
At 26 June 2010	126

All provisions above relate to individually impaired amounts

The ageing analysis of trade receivables is as follows

	Neither past due nor impaired		Past due but not impaired			
	Total £'000	£'000	<30 days £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000
2010	14,778	11,941	1,906	482	130	319
2009	14,724	12,488	1,300	380	179	377
2008	16,130	13,041	1,768	776	270	275

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## 16 Cash and short-term deposits

	2010 £'000	2009 £'000	2008 £'000
Cash at banks and on hand	204	226	288
Short-term deposits	-	-	-
<b>Total cash and short-term deposits</b>	<b>204</b>	<b>226</b>	<b>288</b>

Cash at banks earn interest at floating rates based on daily bank deposits rates. The Group did not place any cash on short term deposit in any of the periods presented within these financial statements

At 26 June 2010, the Group had available £6,241,000 (2009 £728,000, 2008 £1,526,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 26 June 2010

	2010 £'000	2009 £'000	2008 £'000
Cash at banks and on hand	204	226	288
Short-term deposits	-	-	-
	204	226	288
Bank overdraft and Invoice discounting facility (Note 13)	(4,755)	(8,930)	(7,172)
	(4,551)	(8,704)	(6,884)

## 17 Issued capital and reserves

<b>Ordinary shares of £0.0001</b>	2010 '000	2009 '000	2008 '000
Authorised shares (2,250,000 shares)	2,250	2,250	2,250
Ordinary shares issued and fully paid (1,380,833 shares)	1,381	1,381	1,381
Share premium	70	70	70

A total of 2,250,000 ordinary shares of nominal value £0 0001 have been authorised for issue. The total nominal value of authorised shares is £225 00

A total of 1,380,833 ordinary shares of nominal value £0 0001 have been issued and fully paid. The total nominal value of issued and fully paid shares is £138 08

As figures on the statement of financial position are rounded thousands, no value is recorded in respect of nominal shares issued

Share premiums totalling £70,000 have been received in respect of the company's shares

<b>Other capital reserves</b>	Share-based payment transactions £'000	Acquisition reserve £'000	Total £'000
As at 1 July 2007	-	-	-
Issue of shares on acquisition of subsidiary	-	3,500	3,500
Share-based payment transactions (Note 21)	266	-	266
At 28 June 2008	266	3,500	3,766
Share-based payment transactions (Note 21)	252	-	252
At 27 June 2009	518	3,500	4,018
Share-based payment transactions (Note 21)	103	-	103
At 26 June 2010	621	3,500	4,121

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Other capital reserves consist of reserves relating to two transactions

## *Share-based payment transactions*

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. Refer to Note 21 for further details of these plans.

## *Acquisition reserve*

This is a non-distributable reserve that arose by applying merger relief s612 CA2006 (previously s131 CA85) to the shares issued in 2008 in connection with the acquisition of Swancote Foods Limited. This was previously recognised as a 'merger reserve' under UK GAAP. Under IFRS, this has been classified within 'other capital reserves'.

## 18 Provisions

	<b>Total £'000</b>
At 29 June 2008	-
Arising during the year	362
At 27 June 2009	362
Utilised	(258)
At 26 June 2010	104
Current 2010	104
Non-current 2010	-
Current 2009	240
Non-current 2009	122
Current 2008	-
Non-current 2008	-
At 1 July 2007	
Current 2007	-
Non-current 2007	-

The provision above relates to amounts expected to be spent in closing down the operations at the group's processing location in Wisbech. As described in note 10, a provision for closure costs totalling £362,000 was recorded in the period to 27 June 2009.

Management estimated in June 2009 that it would take up to 18 months to vacate, market and dispose of the site in the current economic climate. Consequently, the provision was split between current and non-current in line with the note above.

At 26 June 2010 there remains £104,000 of provision unutilised. The directors are confident that the remaining provision will cover the ongoing costs of disposal of the site and that such disposal will be achieved in the next financial period.

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## 19 Deferred revenue

	2010	2009	2008
	£'000	£'000	£'000
At 27 June	106	103	159
Deferred during the 52 week period	307	199	48
Released to the income statement	(174)	(196)	(104)
At 26 June	239	106	103

Deferred revenue is the advanced payment of operating lease rental income, the recognition of which has been spread over the future period to which it relates

The deferred revenue will be released to income as follows

	2010	2009	2008
	£'000	£'000	£'000
Within one year	151	62	84
After one year but not more than five years	88	44	19
<b>Total</b>	<b>239</b>	<b>106</b>	<b>103</b>

## 20 Pensions and other post-employment benefit obligations

The group operates a defined contribution stakeholder scheme and personal pension plan for various employees, the assets of which are held separately from those of the group in independently administered funds. Contributions to these defined contribution pension plans for the period amounted to £482,000 (2009 £435,000), (2008 £295,000)

The group also contributes to the Greenvale Produce Pension Plan. This is a defined benefit final salary pension plan which has ceased to accrue benefits from 31 October 2007. A full actuarial valuation was carried out at 1 July 2007. For the purposes of this disclosure the liabilities have been projected forward from those disclosed in the valuation report, allowing for cashflows in the intervening period. The major assumptions used by the actuary are disclosed in more detail below.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the defined benefit scheme

Net benefit expense	2010	2009	2008
	£'000	£'000	£'000
Current service cost	-	-	218
Interest cost on benefit obligation	1,129	1,210	1,060
Expected return on plan assets	(1,018)	(1,217)	(1,293)
Losses in early retirement, curtailments, settlements	-	-	500
Net benefit expense / (income)	111	(7)	485

Benefit asset/(liability)	2010	2009	2008
	£'000	£'000	£'000
Present value defined benefit obligation	(23,005)	(16,323)	(18,616)
Fair value of plan assets	17,426	13,994	16,341
	(5,579)	(2,329)	(2,275)
Unrecognised actuarial losses	-	-	-
Unrecognised past service cost	-	-	-
Benefit asset/(liability)	(5,579)	(2,329)	(2,275)

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Changes in the present value of the defined benefit obligation are as follows

	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation at start of 52 week period	(16,323)	(18,616)	(18,599)
Interest cost	(1,129)	(1,210)	(1,060)
Current service cost	-	-	(218)
Benefits paid	401	994	311
Curtailement	-	-	(500)
Actuarial gain/(loss) on obligation	(5,954)	2,509	1,450
Defined benefit obligation at end of 52 week period	(23,005)	(16,323)	(18,616)

Changes in the fair value of plan assets are as follows

	2010 £'000	2009 £'000	2008 £'000
Fair value of plan assets at start of 52 week period	13,994	16,341	16,998
Expected return	1,018	1,217	1,293
Contribution by employer	552	522	720
Benefits paid	(401)	(994)	(311)
Actuarial gain/(loss) on obligation	2,263	(3,092)	(2,359)
Fair value of plan assets at end of 52 week period	17,426	13,994	16,341

The actual return on plan assets was a gain of £3,281,000 (2009 £1,875,000 loss), (2008 £1,124,000 loss)

The Group expects to contribute £552,000 to the defined benefit pension plan in the year ended June 2011

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

	2010 %	2009 %	2008 %
Property	0	0	0
Equity	68	68	69
Bond	32	32	30
Other	0	0	1
	100	100	100

The principal assumptions used in determining pension obligations for the Group's plans are shown below

	2010 %	2009 %	2008 %
Discount rate	5.4	7.0	6.5
Expected rate of return on assets	6.66	7.28	7.55
Future salary increase	n/a	n/a	n/a
Future pension increase	3.2	3.4	3.6
Inflation (RPI) assumption	3.2	3.4	3.6

No rate of increase in salaries is required as the scheme was closed to future accrual on 1 November 2007

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the reporting date whilst the expected returns on the equity and property investments reflect the long term real rates of return experienced in the respective markets

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The mortality assumption for 2010 follows the standard tables SINMA (males) and SINFA (females), projected by year of birth using Medium Cohort improvements with a minimum annual improvement of 1%. In 2009 and 2008 year ends the mortality assumptions followed the table known as PA92 with medium cohort mortality improvements with a minimum improvement each year of 1%. The age of the members has been adjusted with a 1 year increase to age 65. Assuming retirement at age 65, the life expectancy in years is as follows

	2010	2009	2008
For a male aged 65 now	86.3	86.7	86.6
At 65 for a male member aged 45 now	88.2	88.6	88.5
For a female aged 65 now	89.1	90.0	89.9
At 65 for a female member aged 45 now	91.0	92.0	91.9

Amounts for the current and previous two periods are as follows

	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	(23,005)	(16,323)	(18,616)
Plan assets	17,426	13,994	16,341
Deficit	(5,579)	(2,329)	(2,275)
Experience gains/ (losses) on plan liabilities	335	49	209
Experience gains / (losses) on plan assets	2,263	(3,092)	(2,359)

An analysis of the finance income and costs taken to profit or loss is as follows

	2010 £'000	2009 £'000	2008 £'000
Expected return on pension scheme assets	1,018	1,217	1,293
Interest on pension scheme liabilities	(1,129)	(1,210)	(1,060)
Net finance income / (cost)	(111)	7	233

A net income has been recorded within finance income and net costs recorded within finance costs – see note 6

An analysis of the amounts recognised in other comprehensive income is as follows

	2010 £'000	2009 £'000	2008 £'000
Actual return less expected return on pension scheme assets	2,263	(3,092)	(2,359)
Experience gains / ( losses) arising on pension scheme liabilities	335	49	203
Changes in assumptions underlying the present value of the scheme liabilities	(6,289)	2,460	1,247
Actuarial loss recognised in other comprehensive income	(3,691)	(583)	(909)

The cumulative amount recognised through other comprehensive income is a loss of £6,054,000 (2009 £2,363,000 loss), (2008 £1,780,000 loss)

A history of scheme assets, liabilities, experience gains and losses is as follows

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value defined benefit obligation	(23,005)	(16,323)	(18,616)	(18,599)	(16,215)
Fair value plan assets	17,426	13,994	16,341	16,998	13,986
Deficit in the scheme	(5,579)	(2,329)	(2,275)	(1,601)	(2,229)
Experience adjustments on plan liabilities	335	49	203	194	-

The group expects to contribute £552,000 to this defined benefit pension plan in the period to 25 June 2011

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## 21 Share based payment plans

In the period ended 28 June 2008 the group commenced an HMRC approved CSOP scheme whereby share options were granted to key personnel within the business. Options vest if and when the group's achieved profit before interest and taxation (PBIT) meets or exceeds a percentage of budgeted PBIT. Performance targets are split over 3 years. All option awards are broken into three separate and equal tranches to be measured against the actual results in each of the 3 years for which options have been granted.

Following the initial awards in 2008, similar options have been granted in 2009 and 2010. The criteria for vesting options are as follows:

- If 100% of budget is met, all options available for that year vest
- If, in years one and two, 80 – 100% of budget is met, that portion of the options available in that year vest, with the remaining vesting in the following year provided PBIT target is met in full in the following year
- If less than 80% of budget is met, no options vest
- In the final year, if 80- 100% of target is achieved, that portion of options will vest and the remaining options will lapse

The contractual life of each option granted is ten years. There is no cash settlement alternative. The expense recognised for share based payments in respect of employee services rendered during the period ended 26 June 2010 is £103,000 (2009 £252,000, 2008 £266,000). All of this expense arises from equity share based payment transactions.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding options brought forward	175,600	£6 00	143,800	£6 00	-	-
Granted during period	18,200	£6 00	34,200	£6 00	173,400	£6 00
Forfeited during period	(5,000)	£6 00	(2,400)	£6 00	(29,600)	£6 00
Lapsed during period	(27,597)	£6 00	-	-	-	-
Outstanding at period end	<u>161,203</u>		<u>175,600</u>		<u>143,800</u>	
Exercisable at period end	-		-		-	

In 2008 and 2009 the fair value of the options granted was derived using the intrinsic valuation method. The value of each share was estimated at the grant date using a discounted future cash flows business valuation assumption. The following table lists the key assumptions in respect of the fair value of the shares and related options for the 2008 and 2009 grants:

	2010 p.a.	2009 p.a.	2008 p.a.
Profit growth over 5 yrs	3%	3%	3%
Perpetual growth rate	1%	1%	1%
WACC	11%	11%	10%

In 2010 the fair value of equity settled share options granted was estimated using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the 52 weeks ended 26 June 2010. The exercise price for all options granted in the period was £6 00. The share price used as the basis for valuing all options issued in the period was £10 34.

	2010
Dividend yield (%)	3.5
Expected share price volatility (%)	52.4
Risk free interest rate (%)	3.0
Expected life of option (years)	6.5
Option strike price (£)	£6 00
Estimated share price (£)	£10 34

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For the share options outstanding at 26 June 2010, the weighted average remaining contractual life is 7 years 11 months (2009 8 years, 8 months, 2008 9 years, 2 months)

All options granted during the periods were issued based on a company share value of £10.34. All options have been granted at the same exercise price.

All outstanding options at the end of the period are exercisable at £6.00 (2009 £6.00, 2008 £6.00)

The expected life of the options is not necessarily indicative of exercise patterns that may occur. The scheme allows for exercising of the options not earlier than 3 years after the option grant date, and not later than 10 years after the option grant date.

## 22 Trade and other payables

	2010 £'000	2009 £'000	2008 £'000
Trade payables	17,492	15,905	21,388
Taxes & Social security	1,263	484	593
Accruals & Deferred Income	2,716	4,362	3,952
<b>Total trade and other payables</b>	<b>21,471</b>	<b>20,751</b>	<b>25,933</b>

Terms and conditions of the above financial liabilities

- Trade payables are non-interest bearing and are normally settled on 30-45 day terms
- Interest payable is settled throughout the financial year, on a monthly basis for overdrafts and quarterly basis for long term loans
- For terms and conditions relating to related parties, refer to Note 23
- For explanations on the Group's credit risk management processes, refer to Note 25

Trade liabilities are sterling denominated, with the exception of €95,000 (2009 €8,000, 2008 €130,000)

## 23 Related party disclosures

The company is exempt from disclosing transactions with group companies that are consolidated within these accounts.

During the period the group entered into the following transactions with the related parties as identified below:

Brookland Solutions Limited is an IT solutions company in which the group previously held a 24.5% interest. The group received goods and services from this company totalling £69,000 (2009 £245,000, 2008 £227,000). At the period end the group owed £nil (2009 £nil) to this company in respect of IT services received. As referred to in note 3, the Group disposed of its interest in Brookland Solutions Limited in April 2010.

Organic Potato Growers (Scotland) Limited ('OPG') is a potato grower in which the group owns a 33.3% interest. The group made purchases from OPG of £352,000 (2009 £386,000, 2008 £505,000) and sales to OPG of £5,000 (2009 £50,000, 2008 £11,000). At the reporting date the group was owed £nil by OPG (2009 £50,000, 2008 £79,000).

The trading premises of one of the subsidiaries Swancote Foods Limited are owned by John Davies Farms (Directors Pension Scheme). EL Davies who is a director of Produce Investments Limited is also a beneficiary of this scheme. During the year, the group paid rent of £150,000 (2009 £150,000, 2008 £150,000). At the reporting date, an amount of £nil (2009 £nil, 2008 £nil) was due to John Davies Farms (Directors Pensions Scheme).

During the year the group paid £85,000 (2009 £128,000, 2008 £85,000) to Credential Holdings Limited for the services of non executive directors R Clapham, D Porter and R Blin who are directors of Produce Investments Limited and are also directors of Credential Holdings Limited. There were no amounts outstanding as at 26 June 2010 (2009 £nil).

During the year the group paid £45,000 (2009 £42,000, 2008 £nil) to Produce Acquisitions LLP for the services of non executive directors J Tucholski and M Jankowski who are directors of Produce Investments Limited and are also designated members of Produce Acquisitions LLP. There were no amounts outstanding as at 26 June 2010 (2009 £nil).



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During the year the group paid £40,000 (2009 £41,000, 2008 £24,000) to Creation Autosportif Limited for the services of a non executive director M Jankowski who is a director of Produce Investments Limited is also a director and major shareholder of Creation Autosportif Limited There were no amounts outstanding as at 26 June 2010 (2009 £nil, 2008 £NIL)

Restrain Company Limited is a company which is 70% owned by Produce Investments Limited The remaining 30% of ordinary shares are not controlled by the Group During the year, 100% controlled group companies made sales to Restrain Company Limited of £102,000 (2009 £65,000 2008 £33,000) and purchased goods and services from Restrain Company Limited totalling £94,000 (2009 £79,000 2008 £66,000) At 26 June 2010 Restrain Company Limited owed Greenvale AP Limited £452,000 (2009 £655,000 2008 £482,000)

International Controlled Atmosphere Limited ('ICA') is a company which holds a 15% share in the ordinary share capital of Restrain Company Limited, a company which is 70% owned by the group, and whose results are consolidated into the group results During the year the group made purchases from ICA totalling £273,000 (2009 £418,000 2008 £214,000) There were no outstanding balances at the period end (2009 £nil, 2008 £nil)

## 24 Commitments and contingencies

### *Operating lease commitments – group as lessee*

The Group has entered into commercial leases on plant items, office space and a leasehold trading premises These leases have an average life of between three and ten years with no renewal option included in the contracts There are no restrictions placed upon the Group by entering into these leases

Future minimum rentals payable under non-cancellable operating leases as at 26 June 2010 are as follows

	2010 £'000	2009 £'000	2008 £'000
Within one year	936	1,121	1,068
After one year but not more than five years	1,715	1,208	1,540
<b>Total future minimum rentals payable</b>	<b>2,651</b>	<b>2,329</b>	<b>2,608</b>

### *Operating lease commitments – group as lessor*

The Group has entered into commercial leases on certain items of plant and machinery which is leased to customers These non-cancellable leases have a lease term of between one and five years Where leases are signed for multiple years, revenue is paid in advance and recognised in the period to which it relates, with balances deferred as required Any future unpaid commitments at the balance sheet date represent early season signed agreements for the next storage period Any such agreements are considered by management to be immaterial at any June balance sheet date, as storage would usually commence in October and, as such, the volume of storage agreements completed by June is not considered significant Consequently, management do not monitor any operating leases that have been committed by customers by June of each year

Future minimum rentals receivable under non-cancellable operating leases as at 26 June 2010 are as follows

	2010 £'000	2009 £'000	2008 £'000
Within one year	-	-	-
After one year but not more than five years	-	-	-
More than five years	-	-	-
<b>Total future minimum rentals payable</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## *Finance lease and hire purchase commitments*

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2010		2009		2008	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	176	153	152	129	342	319
After one year but not more than five years	97	87	217	184	425	369
Present value of minimum lease payments	273	240	369	313	767	688

## *Capital commitments*

At 26 June 2010, the Group had capital commitments of £450,000 (2009: £1,018,000), (2008: £256,000)

## *Guarantees*

The company has provided a composite cross guarantee to its bankers in respect of bank borrowings with group companies. At the end of the period the total bank borrowings of the group companies amounted to £20,635,000 (2009: £29,135,000, 2008: £29,195,000)

## 25 Financial risk management

### *Financial risk associated with agricultural activities*

Agricultural activities such as potato growing have inherent risk related to planting, growing and harvesting and are subject to the vagaries of the weather. In order to mitigate the financial risk associated with growing and harvesting potatoes the Group continues to invest in developing and selecting varieties that are resistant to disease and also seeks to utilise modern harvesting equipment which is less susceptible to adverse weather and lifting conditions.

The Board reviews and agrees policies for managing the risks associated with interest rate, credit and liquidity risk. The Group has in place a risk management policy that seeks to minimise any adverse effect on the financial performance of the Group by continually monitoring the following risks:

### *Interest rate risk*

The Group's interest rate risk arises as a result both its long and short term borrowing facilities. The Group seeks to manage exposure to interest rate fluctuations through the use of fixed interest rate swaps.

### *Interest rate sensitivity*

The following table demonstrates the sensitivity to a change in the interest rates on the portion of loans and borrowings, after the impact of hedge accounting. The Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Pound sterling	Increase/decrease in basis points	Effect on profit before tax £'000
2010	1%	103
2009	1%	116
2008	1%	109

### *Foreign currency risk*

The Group's exposure to the risk of changes in foreign exchange rates is not significant as primarily all of the Group's operating activities are denominated in pound sterling.

# Produce Investments Limited

## *Credit risk*

The Group is exposed to credit risk in respect of its many customers. The Group has long established policies and procedures for controlling customer credit risk.

Credit limits are established for all customers based on internal rating criteria and are constantly reviewed and updated in accordance with the customer's latest financial position.

The Group's maximum exposure to credit risk from its customers is £14,778k (2009 £14,724k, 2008 £16,130k) as disclosed in note 15 – trade and other receivables.

The Group regularly monitors and updates its cash flow forecasts to ensure it has sufficient and appropriate funds to meet its ongoing operational requirements whilst maintaining adequate headroom on its facilities to ensure no breach in its banking covenants.

## *Liquidity risk*

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

<b>52 weeks ended 26 June 2010</b>	<b>On demand £'000</b>	<b>Less 3 months £'000</b>	<b>3 to 12 months £'000</b>	<b>1 to 5 years £'000</b>	<b>&gt;5 years £'000</b>	<b>Total £'000</b>
Interest-bearing loans and borrowings	4,755	569	6,786	9,068	4,511	25,689
Trade and other payables	-	21,471	-	-	-	21,471
Deferred tax	-	-	397	2,635	2,698	5,730
Pensions and other post benefits obligations	-	138	414	2,208	2,819	5,579
Financial derivatives	-	-	-	815	1,134	1,949
Income tax	-	705	705	-	-	1,410
Other liabilities	-	-	255	88	-	343
	<b>4,755</b>	<b>22,883</b>	<b>8,557</b>	<b>14,814</b>	<b>11,162</b>	<b>62,171</b>

  

<b>52 weeks ended 27 June 2009</b>	<b>On demand £'000</b>	<b>Less 3 months £'000</b>	<b>3 to 12 months £'000</b>	<b>1 to 5 years £'000</b>	<b>&gt;5 years £'000</b>	<b>Total £'000</b>
Interest-bearing loans and borrowings	8,930	563	1,690	15,472	5,509	32,164
Trade and other payables	-	20,751	-	-	-	20,751
Deferred tax	-	-	366	2,880	2,941	6,187
Pensions and other post benefits obligations	-	138	414	1,777	-	2,329
Financial derivatives	-	-	-	-	1,515	1,515
Income tax	-	713	714	-	-	1,427
Other liabilities	-	60	242	166	-	468
	<b>8,930</b>	<b>22,225</b>	<b>3,426</b>	<b>20,295</b>	<b>9,965</b>	<b>64,841</b>

  

<b>52 weeks ended 28 June 2008</b>	<b>On demand £'000</b>	<b>Less 3 months £'000</b>	<b>3 to 12 months £'000</b>	<b>1 to 5 years £'000</b>	<b>&gt;5 years £'000</b>	<b>Total £'000</b>
Interest-bearing loans and borrowings	7,172	611	1,832	15,824	7,348	32,787
Trade and other payables	-	25,933	-	-	-	25,933
Deferred tax	-	-	309	2,043	3,248	5,600
Pensions and other post benefits obligations	-	138	414	1,723	-	2,275
Income tax	-	1,181	1,180	-	-	2,361
Other liabilities	-	-	84	19	-	103
	<b>7,172</b>	<b>27,863</b>	<b>3,819</b>	<b>19,609</b>	<b>10,596</b>	<b>69,059</b>

# Produce Investments Limited

## *Capital management*

Capital is the equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, sell assets, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total borrowings less cash. EBITDA is calculated as operating profit before any significant non-recurring items, interest, tax, depreciation and amortisation. The gearing ratio continues to improve ending the year at 2.22:1 (2009: 2.92, 2008: 4.54) such that no further action has been necessary.

## **26 First-time adoption of IFRS**

For all periods up to and including the year ended 27 June 2009, the Group prepared its financial statements in accordance with generally accepted accounting practice in the United Kingdom (UK GAAP). These financial statements, for the year ended 26 June 2010, are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRS).

The Group has prepared financial statements which comply with IFRS applicable for periods beginning on or after 28 June 2009 as described in the accounting policies. In preparing these financial statements, the Group has elected to include two years of comparative information, consequently the Group's opening statement of financial position was prepared as at 1 July 2007, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP statement of financial position as at 1 July 2007 and its previously published UK GAAP financial statements for the year ended 28 June 2008 and 27 June 2009.

### *Exemptions applied*

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRSs effective for 26 June 2010 period-ends.

The Group has taken the exemption not to restate business combinations which took place before the transition date.

# Produce Investments Limited

Group reconciliation of equity at 1 July 2007 (date of transition to IFRS)

	UK GAAP £'000	Re-measurements £'000	IFRS £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	26,843	-	26,843
Intangible assets	153	-	153
Investment in an associate	23	-	23
Negative intangible assets	(295)	295	-
Deferred tax asset	-	479	479
Other non-current financial assets	-	463	463
	<u>26,724</u>	<u>1,237</u>	<u>27,961</u>
<b>Current assets</b>			
Inventories	7,075	(2,192)	4,883
Biological assets	-	2,707	2,707
Trade and other receivables	14,340	-	14,340
Prepayments	2,022	-	2,022
Cash and short-term deposits	1,385	-	1,385
	<u>24,822</u>	<u>515</u>	<u>25,337</u>
<b>Total assets</b>	<u>51,546</u>	<u>1,752</u>	<u>53,298</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	-	-	-
Share premium	70	-	70
Retained earnings	2,837	(1,421)	1,416
<b>Equity attributable to equity holders of the parent</b>			
Non-controlling interests	-	-	-
<b>Total equity</b>	<u>2,907</u>	<u>(1,421)</u>	<u>1,486</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	16,300	-	16,300
Deferred revenue	90	-	90
Pensions and other post employment benefit obligations	1,121	479	1,600
Deferred tax liability	1,095	2,550	3,645
	<u>18,607</u>	<u>3,029</u>	<u>21,636</u>
<b>Current liabilities</b>			
Trade and other payables	27,212	-	27,212
Interest-bearing loans and borrowings	1,285	-	1,285
Deferred tax	-	144	144
Income tax payable	1,535	-	1,535
	<u>30,032</u>	<u>144</u>	<u>30,176</u>
<b>Total liabilities</b>	<u>48,639</u>	<u>3,173</u>	<u>51,812</u>
<b>Total equity and liabilities</b>	<u>51,546</u>	<u>1,752</u>	<u>53,298</u>

# Produce Investments Limited

## Group reconciliation of equity at 28 June 2008

	UK GAAP £'000	Re-measurements £'000	IFRS £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	31,275	-	31,275
Intangible assets	11,067	1,988	13,055
Investment in an associate	148	13	161
Negative intangible assets	(270)	270	-
Deferred tax asset	-	708	708
Other non-current financial assets	-	222	222
	<u>42,220</u>	<u>3,201</u>	<u>45,421</u>
<b>Current assets</b>			
Inventories	9,926	(2,867)	7,059
Biological assets	-	2,653	2,653
Trade and other receivables	16,790	-	16,790
Prepayments	1,269	-	1,269
Deferred tax asset	-	60	60
Cash and short-term deposits	288	-	288
	<u>28,273</u>	<u>(154)</u>	<u>28,119</u>
<b>Total assets</b>	<b>70,493</b>	<b>3,047</b>	<b>73,540</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	-	-	-
Share premium	70	-	70
Other capital reserves	3,766	-	3,766
Retained earnings	2,743	(2,098)	645
<b>Equity attributable to equity holders of the parent</b>	<b>6,579</b>	<b>(2,098)</b>	<b>4,481</b>
Non-controlling interests	-	-	-
<b>Total equity</b>	<b>6,579</b>	<b>(2,098)</b>	<b>4,481</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	23,172	-	23,172
Other non-current liabilities	-	-	-
Provisions	-	-	-
Deferred revenue	19	-	19
Pensions and other post employment benefit obligations	1,638	637	2,275
Other liabilities	-	-	-
Deferred tax liability	1,092	4,508	5,600
	<u>25,921</u>	<u>5,145</u>	<u>31,066</u>
<b>Current liabilities</b>			
Trade and other payables	25,933	-	25,933
Interest-bearing loans and borrowings	9,615	-	9,615
Deferred revenue	84	-	84
Income tax payable	2,361	-	2,361
	<u>37,993</u>	<u>-</u>	<u>37,993</u>
<b>Total liabilities</b>	<b>63,914</b>	<b>5,145</b>	<b>69,059</b>
<b>Total equity and liabilities</b>	<b>70,493</b>	<b>3,047</b>	<b>73,540</b>

# Produce Investments Limited

## Group reconciliation of equity at 27 June 2009

	UK GAAP £'000	Re-measurements £'000	IFRS £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	34,193	(9,596)	24,597
Intangible assets	10,563	2,039	12,602
Investment in an associate	148	34	182
Deferred tax asset	-	1,193	1,193
Negative intangible assets	(235)	235	-
	<b>44,669</b>	<b>(6,095)</b>	<b>38,574</b>
<b>Current assets</b>			
Inventories	10,125	(3,347)	6,778
Biological assets	-	3,284	3,284
Trade and other receivables	15,350	-	15,350
Prepayments	1,711	-	1,711
Deferred tax asset	-	30	30
Cash and short-term deposits	226	-	226
	<b>27,412</b>	<b>(33)</b>	<b>27,379</b>
Assets classified as held for sale	-	500	500
	<b>72,081</b>	<b>(5,628)</b>	<b>66,453</b>
<b>Total assets</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	-	-	-
Share premium	70	-	70
Other capital reserves	4,018	-	4,018
Retained earnings	1,532	(4,035)	(2,503)
Revaluation reserve	9,096	(9,096)	-
<b>Equity attributable to equity holders of the parent</b>	<b>14,716</b>	<b>(13,131)</b>	<b>1,585</b>
Non-controlling interests	27	-	27
<b>Total equity</b>	<b>14,743</b>	<b>(13,131)</b>	<b>1,612</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	20,981	-	20,981
Other non-current financial liabilities	-	1,515	1,515
Provisions	122	-	122
Deferred revenue	44	-	44
Pensions and other post employment benefit obligations	1,677	652	2,329
Deferred tax liability	851	5,336	6,187
	<b>23,675</b>	<b>7,503</b>	<b>31,178</b>
<b>Current liabilities</b>			
Trade and other payables	20,751	-	20,751
Interest-bearing loans and borrowings	11,183	-	11,183
Deferred revenue	62	-	62
Income tax payable	1,427	-	1,427
Provisions	240	-	240
	<b>33,663</b>	<b>-</b>	<b>33,663</b>
<b>Total liabilities</b>	<b>57,338</b>	<b>7,503</b>	<b>64,841</b>
<b>Total equity and liabilities</b>	<b>72,081</b>	<b>(5,628)</b>	<b>66,453</b>

# Produce Investments Limited

Group reconciliation of comprehensive income for the 52 week period ended at 28 June 2008

	UK GAAP £'000	Re-measurements £'000	IFRS £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	180,276	-	180,276
Cost of sales	(139,684)	(729)	(140,413)
Gross profit	40,592	(729)	39,863
Administrative and other operating expenses	(36,759)	(240)	(36,999)
<b>Operating profit, being profit before interest and tax</b>	<b>3,833</b>	<b>(969)</b>	<b>2,864</b>
Finance costs	(2,466)	(241)	(2,707)
Finance income	240	-	240
Share of profit of an associate	-	13	13
<b>Profit before tax from continuing operations</b>	<b>1,607</b>	<b>(1,197)</b>	<b>410</b>
Income tax expense	(1,047)	520	(527)
<b>Profit/(Loss) for the 52 weeks</b>	<b>560</b>	<b>(677)</b>	<b>(117)</b>
<b>Other comprehensive income</b>	<b>(654)</b>	<b>-</b>	<b>(654)</b>
<b>Total comprehensive income</b>	<b>(94)</b>	<b>(677)</b>	<b>(771)</b>

Group reconciliation of comprehensive income for the 52 week period ended at 27 June 2009

	UK GAAP £'000	Re-measurements £'000	IFRS £'000
<b>CONTINUING OPERATIONS</b>			
Revenue	177,961	-	177,961
Cost of sales	(134,527)	151	(134,376)
Gross profit	43,434	151	43,585
Administrative and other operating expenses	(36,976)	16	(36,960)
Exceptional profit on disposal of property	-	352	-
Exceptional charge arising from reorganisation of operations	(4,646)	-	(4,646)
<b>Operating profit, being profit before interest and tax</b>	<b>1,812</b>	<b>519</b>	<b>2,331</b>
Finance costs	(2,009)	(1,737)	(3,746)
Finance income	80	-	80
Exceptional profit on disposal of property	352	(352)	-
Share of profit of an associate	-	21	21
<b>Profit / (Loss) before tax from continuing operations</b>	<b>235</b>	<b>(1,549)</b>	<b>(1,314)</b>
Income tax expense	(999)	(388)	(1,387)
<b>Loss for the 52 weeks</b>	<b>(764)</b>	<b>(1,937)</b>	<b>(2,701)</b>
<b>Other comprehensive income</b>	<b>8,676</b>	<b>(9,096)</b>	<b>(420)</b>
<b>Total comprehensive income</b>	<b>7,912</b>	<b>(11,033)</b>	<b>(3,121)</b>



# Produce Investments Limited

## Restatement of equity from Local GAAP to IFRS

Notes to the reconciliation of equity as at 1 July 2007, 28 June 2008, 27 June 2009.

### A. Recognition of biological assets

Under UK GAAP growing crops are recognised as a current asset at cost. IFRS does not permit this treatment and instead recognises the crop as a biological asset which must be valued at fair value. Under IFRS the cost of growing crops are expensed through the income statement as incurred. The difference in accounting treatment results in the recognition of biological assets valued at £2,707k at 1 July 2007 (2008 £2,653k, 2009 £3,284k) and an increased / (decreased) income statement charge of £729k in 2008 (2009 £ (151k)). Deferred tax has been applied where necessary to these movements.

### B. Amortisation of goodwill

Under UK GAAP goodwill is amortised over its expected useful life. IFRS considers goodwill to have an indefinite useful life therefore requiring no amortisation. Instead, IFRS goodwill has to be allocated to Cash Generating Units (CGUs) and these are tested annually for impairment.

The positive goodwill previously carried under UK GAAP arose on the acquisition of a subsidiary in the period ended 28 June 2008. Under UK GAAP, the acquisition of Swancote Foods Limited led to goodwill of £11,518k. Under UK GAAP acquisition costs are included in the cost of the business combination whereas under IFRS they are expensed in the income statement. Costs in 2008 of £266k were expensed under IFRS (2009 £nil).

Under IFRS an intangible customer relationships asset has been identified at the point of acquisition. This has been valued at £7,868k. Consequently the remaining balance not attributable to assets has been reduced, resulting in goodwill of £5,587k. The goodwill reflects adjustments in respect of deferred tax on the intangible assets. The goodwill is not amortised and is subject to an annual impairment review, in line with the requirements of IFRS. The customer relationships are being amortised over 15 years at an annual charge of £525k.

The difference in accounting treatment results in a net reversal of amortisation charges to the income statement in 2008 of £51k (2009 £51k) compared with UK GAAP, increasing the profit in each period by this amount. The net intangible asset recognised in respect of this business combination has increased in the statement of financial position by £1,988k at 28 June 2008 and £2,039k at 27 June 2009.

A deferred tax liability has been provided in respect of customer relationships with a corresponding increase in the goodwill on acquisition.

### C. De-recognition of negative goodwill

Under UK GAAP negative goodwill arising on a business combination was recognised in the balance sheet as a negative intangible asset. Under IFRS negative goodwill is recognised but it is not carried in the statement of financial position. Instead it is immediately credited to the income statement (and therefore on transition to retained earnings). This resulted in increased net assets of £295k at July 2007 (2008 £270k, 2009 £235k) and reduced income in 2008 of £25k (2009 £35k).

### D. Employee benefits

IFRS accounts for employee benefits under IAS19, compared with UK GAAP (FRS17). The previously reported numbers have been reworked to comply with IFRS, with no adjustment to the balance sheet position at any period ended June 2007, 2008 or 2009. Although there were immaterial small differences in the income statement and total gains presentation, these occurred in the period to 28 June 2008 only, with no differences identified in either 2009 or 2010. The magnitude of differences were both individually and cumulatively less than £0.1m in each statement. Given that the impact on net assets and net gain in each reporting period was nil, management concluded that the presentation of the IFRS numbers for 2008 would remain in line with UK GAAP, despite these immaterial differences. Consequently, no adjustment has been made on adoption of IFRS in respect of employee benefits.

A deferred tax asset has been shown separately as a non-current asset in respect of the deficit arising under IAS 19 which was netted off the pension deficit under UK GAAP.

### E. Recognition of financial derivatives

Under IFRS financial derivatives such as interest rate swaps are recognised in the statement of financial position at fair value with corresponding movements in fair value being taken to the income statement. Under UK GAAP the Group did not previously recognise the fair value of these derivatives on the balance sheet. The recognition of financial derivatives results in an increase / (decrease) to net assets in the statement of financial position of £463k at 1 July 2007 (2008 £222k, 2009 £(1,515k)) and an increase to finance cost of £241k in 2008 (2009 £1,737k). Deferred tax has been provided in respect of the fair value of the financial instruments.

# Produce Investments Limited

## **F Accounting for associate companies**

The group non controlling investments under UK GAAP were treated as fixed asset investments as Group management plays no active role in the management of these businesses and does not influence their decision making process. However, some of these interests are now accounted for as investments on the assumption that the group exerts significant influence over the investment. The application of equity accounting results in the recognition of 'Investments accounted for using the equity method' in the statement of financial position of £nil at 1 July 2007 (2008 £138k, 2009 £159k) and an increase to income being 'share of profits of investments using the equity method' in the income statement of £13k in 2008 (2009 £21k)

## **G Assets held for sale**

Under UK GAAP, no distinction is made between property in use within the business, and property previously used within the business which has subsequently been earmarked for disposal. Under IFRS, any properties specifically identified for disposal are held separately as 'assets held for sale'. Following the closure of the Wisbech facility as discussed in note 10, the Wisbech facility has been identified as an asset held for sale and disclosed separately on the face of the statement of financial position. The carrying value of 'assets held for sale' at 1 July 2007 is £nil (2008 £nil, 2009 £500k). There is no impact on the income statement in any period and no impact on the overall net assets of the business at any reporting date. Property plant and equipment carrying values are reduced by amounts equal to those carried as 'assets held for sale'.

## **H. Property, plant and equipment**

Under UK GAAP, the Group previously adopted a revaluation approach from 2009 in respect of its land and buildings, as permitted by FRS15. On transition to IFRS the group has adopted a policy of measuring land and buildings at historic cost and so has reduced the carrying amount of land and buildings at 1 July 2007 by £nil (2008 £nil, 2009 £9,096k). There is no impact on the income statement in any period.

A deferred tax liability has been provided in respect of the difference between the cost of assets acquired when the group was established and their carrying value in the financial statements.

## **I. Exceptional profit on disposal of property**

Under UK GAAP the profit on disposal of property was disclosed as exceptional per the requirements of FRS3. There is no such disclosure requirement in IFRS.

# Produce Investments Limited

## 27 Principal Group companies

As at the period end, the group comprises the following holdings

Name	Country of incorporation	Nature of business	Class of shares held	% equity interest		
				2010	2009	2008
Greenvale Holdings Limited	UK	Holding company	Ordinary	100	100	100
Greenvale AP Limited	UK	Buying and selling of potatoes	Ordinary 'B' Preference	100	100	100
Greenvale Growing Limited	UK	Growing potatoes	Ordinary	100	100	100
Greenvale Foods Limited (ceased trading)	UK	Potato processing	Ordinary	100	100	100
Greenvale Potato Exports Limited	UK	In liquidation	Ordinary	100	100	100
Restrain Company Limited	UK	Potato and onion atmosphere regulation	Ordinary	70	70	70
Swancote Foods Limited (dormant)	UK	Potato processing	Ordinary	100	100	100
Organic Potato Growers (Scotland) Limited	UK	Growing potatoes	Ordinary	33.3	33.3	33.3
BROP s r o	Czech Republic	Potato processing	Ordinary	30	30	30

As detailed in note 3, the Group previously held an interest of 24.5% of Brookland Solutions Limited. However, this interest was disposed of in April 2010.

# Produce Investments Limited

Company Registration Number 05624995

## **Produce Investments Limited**

### **COMPANY FINANCIAL STATEMENTS**

**For the 52 weeks ended 26 June 2010**

**While the consolidated financial statements of Produce Investments Limited have been prepared in accordance with IFRS, the financial statements of the parent company have been prepared in accordance with UK GAAP, as permitted by the Companies Act.**

# Produce Investments Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Produce Investments Limited

## COMPANY BALANCE SHEET

At 26 June 2010

Company Registration Number 05624995

	<i>Notes</i>	2010 Company £'000	2009 Company £'000
<b>FIXED ASSETS</b>			
Investments	3	31,280	31,177
<b>CURRENT ASSETS</b>			
Debtors	4	2,284	2,323
Cash at bank and in hand		1	24
		2,285	2,347
<b>CREDITORS</b>			
Amounts falling due within one year	5	21,820	13,125
<b>NET CURRENT LIABILITIES</b>			
		(19,535)	(10,778)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		11,745	20,399
<b>CREDITORS</b>			
Amounts falling due after more than one year	6	(13,491)	(20,797)
<b>NET LIABILITIES</b>			
		(1,746)	(398)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	-	-
Share premium account	9	70	70
Profit and loss account	9	(5,937)	(4,486)
Merger reserve	9	3,500	3,500
Other reserve	9	621	518
<b>SHAREHOLDERS FUNDS</b>			
	9	(1,746)	(398)

The financial statements on pages 61 to 68 were approved by the board of directors and authorised for issue on 8 October 2010 and were signed on its behalf by

B Macdonald  
Director

*B Macdonald*  
8/10/2010

# Produce Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 26 June 2010

### 1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards that have been applied consistently

#### *GOING CONCERN*

The company balance sheet at 26 June 2010 shows net liabilities of £1,746,000 and net current liabilities of £19,535,000. These liabilities consist of an intercompany loan from a trading subsidiary, bank mortgages taken out by the parent company on behalf of the group, and loans from company shareholders.

The company is a holding company of the Greenvale Group and does not trade. However, the company directors, in their role as directors of the wider group, have undertaken to support the company balance sheet as required. All costs incurred in the name of the parent company will be borne by trading subsidiaries. The directors have seen future cash flow projections for the Greenvale Group and reviewed its funding facilities. The directors are satisfied that these demonstrate that the group has sufficient facilities and headroom to enable it to continue to trade for a period of at least 12 months from the date of signing the financial statements.

Consequently, the directors have prepared these financial statements on a going concern basis.

#### *INVESTMENTS*

Fixed asset investments are stated at cost less provision for diminution in value.

#### *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 group'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 CURRENCY TRANSLATION*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the accounting 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.

#### *FINANCING COSTS*

The financing costs of debt are recognised in the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

# Produce Investments Limited

## 1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES (continued)

### SHARE BASED PAYMENTS

The cost of equity settled transactions with employees is measured by reference to the fair value at the date which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value up until the period ended 27 June 2009 was determined using the 'intrinsic' valuation method permitted under FRS 20. For the period ended 26 June 2010 the fair value has been determined using the Black Scholes option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance criteria are satisfied.

At the balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where the terms of an equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

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 profit and loss account 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 profit and loss account.

## 2 LOSS FOR THE FINANCIAL PERIOD

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial period was £1,451,000 (2009 - £1,554,000). The company was a holding company in both periods and did not trade. The losses reflect the interest costs of servicing the loans reflected on the balance sheet, together with the administrative costs of running the company.

Auditor fees for the period were £30,000 (2009 £22,000). These were settled by the main trading subsidiary, Greenvale AP Limited.

## 3 FIXED ASSET INVESTMENTS

<i>Company</i>	<i>Note</i>	<b>Shares in Group Undertakings £'000</b>
Cost and net book value		
<b>At 29 June 2008</b>		<b>25,305</b>
Additions		5,620
Share based payment		252
<b>At 28 June 2009</b>		<b>31,177</b>
Share based payment	8	103
<b>At 26 June 2010</b>		<b>31,280</b>



# Produce Investments Limited

## 3 FIXED ASSET INVESTMENTS (continued)

As at the period end, the fixed asset investments of the company comprise the following holdings

Name	Country of incorporation	Nature of business	Class of shares held	2010	2009
Greenvale Holdings Ltd #	UK	Holding company	Ordinary	100	100
Greenvale AP Ltd #	UK	Buying and selling of potatoes	Ordinary 'B' Preference	100	100
Greenvale Growing Ltd #	UK	Growing potatoes	Ordinary	100	100
Greenvale Foods Ltd	UK	Potato processing (ceased trading)	Ordinary	100	100
Greenvale Potato Exports Ltd	UK	In liquidation	Ordinary	100	100
Restrain Company Ltd #	UK	Potato and onion atmosphere regulation	Ordinary	70	70
Swancote Foods Ltd	UK	Potato processing (dormant)	Ordinary	100	100
Organic Potato Growers (Scotland) Ltd	UK	Growing potatoes	Ordinary	33 3	33 3
BROP	Czech Republic	Potato processing	Ordinary	30	30

# direct holding of the company

## 4 DEBTORS

	Company 2010 £'000	Company 2009 £'000
Due within one year.		
Amounts owed by group undertakings	2,071	2,071
Prepayments and accrued income	213	252
	<b>2,284</b>	<b>2,323</b>

## 5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company 2010 £'000	Company 2009 £'000
Bank loans	2,124	2,124
Other loans	5,079	-
Amounts owed to group undertakings	14,337	10,702
Accruals and deferred income	280	299
	<b>21,820</b>	<b>13,125</b>

The bank loans are secured by a composite cross guarantee given by all group companies. These borrowings are also secured by first legal charges over land and buildings, debenture over all present and future assets of the group and assignment of keyman policies. Further details regarding the loans are given below in note 6.

# Produce Investments Limited

## 6 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Company 2010 £'000	Company 2009 £'000
Other loans	-	4,953
Bank loans	13,491	15,844
	<b>13,491</b>	<b>20,797</b>

### Analysis of bank loan maturity

	Company 2010 £'000	Company 2009 £'000
Amounts falling due		
In one year or less, or on demand	2,124	2,124
Between one and two years	2,124	2,124
Between two and five years	6,086	6,086
In five years or more	5,281	7,634
	<b>15,615</b>	<b>17,968</b>

The bank loans and other loans above are represented by the following

An original company loan of £11,500,000 is repayable quarterly in instalments of £192,000. It is secured on the assets of the group. Interest is payable at 1.75% above LIBOR.

An original company loan of £2,000,000 is repayable quarterly in instalments of £71,000. It is secured on the assets of the group. Interest is payable at 2.25% above LIBOR.

An original company loan of £2,000,000 is repayable on 30 June 2014, is secured on the assets of the group and is not repayable by quarterly instalments. Interest is payable at 2.50% above LIBOR.

An original company loan of £7,500,000 is repayable quarterly in instalments of £268,000. It is secured on the assets of the group. Interest is payable at 2.25% above LIBOR.

The company has entered into cash flow hedge arrangements to fix the overall interest cost of these loans. The fair value of the hedge at the balance sheet date was a liability of £(1,949,000) {2009 a liability of (£1,515,000)}.

Other loans, carried within current liabilities, represent zero coupon loan notes amounting to £5,079,000 (2009 - £4,953,000) which are redeemable on 7 April 2011 and have been treated as repayable within one year. The face value of these loan notes is £5,184,250 (2009 - £5,184,250). The loan notes are discounted to their net present value at the date of issue using a discount rate of 7.74%. The resulting discount is unwound and charged to the profit and loss account over the period until redemption.

# Produce Investments Limited

## 7 SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised 2,250,000 Ordinary shares of £0 0001 each	-	-
Allotted, issued and fully paid 1,380,833 Ordinary shares of £0 0001 each	-	-

The authorised share capital totals £225 00 Issued share capital totals £138 08 Given the presentation of the accounts to the nearest thousand, both numbers appear as zero on the balance sheet

## 8 SHARE BASED PAYMENTS

In the period ended 28 June 2008 the Produce Investments Limited group commenced an HMRC approved CSOP scheme whereby share options were granted to key personnel within the business Options vest if and when the group's achieved profit before interest and taxation (PBIT) meets or exceeds a percentage of budgeted PBIT Performance targets are split over 3 years All option awards are broken into three separate and equal tranches to be measured against the actual results in each of the 3 years for which options have been granted

Following the initial awards in 2008, similar options have been granted in 2009 and 2010 The criteria for vesting options are as follows

If 100% of budget is met, all options available for that year vest

If, in years one and two, 80 – 100% of budget is met, that portion of the options available in that year vest, with the remaining vesting in the following year provided PBIT target is met in full in the following year

If less than 80% of budget is met, no options vest

In the final year, if 80- 100% of target is achieved, that portion of options will vest and the remaining options will lapse

The contractual life of each option granted is ten years There is no cash settlement alternative The expense recognised for share based payments in respect of employee services rendered during the period ended 26 June 2010 is £103,000 (2009 £252,000, 2008 £266,000) All of this expense arises from equity share based payment transactions

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period

	2010 No.	2010 WAEP	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding options brought forward	175,600	£6 00	143,800	£6 00	-	-
Granted during period	18,200	£6 00	34,200	£6 00	173,400	£6 00
Forfeited during period	(5,000)	£6 00	(2,400)	£6 00	(29,600)	£6 00
Expired during period	(27,597)	£6 00	-	-	-	-
Outstanding at period end	161,203		175,600		143,800	
Exercisable at period end	-		-		-	

## Produce Investments Limited

In 2008 and 2009 the fair value of the options granted was derived using the intrinsic valuation method. The value of each share was estimated at the grant date using a discounted future cash flows business valuation assumption. The following table lists the key assumptions in respect of the fair value of the shares and related options for the 2008 and 2009 grants

	2010 p.a.	2009 p.a.	2008 p.a.
Profit growth over 5 yrs	3%	3%	3%
Perpetual growth rate	1%	1%	1%
WACC	11%	11%	10%

In 2010 the fair value of equity settled share options granted was estimated using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the 52 weeks ended 26 June 2010. The exercise price for all options granted in the period was £6.00. The share price used as the basis for valuing all options issued in the period was £10.34.

	2010
Dividend yield (%)	3.5
Expected share price volatility (%)	52.4
Risk free interest rate (%)	3.0
Expected life of option (years)	6.5
Option strike price (£)	£6.00
Estimated share price (£)	£10.34

For the share options outstanding at 26 June 2010, the weighted average remaining contractual life is 7 years 11 months (2009 8 years, 8 months, 2008 9 years, 2 months)

All options granted during the periods were issued based on a company share value of £10.34. All options have been granted at the same exercise price.

All outstanding options at the end of the period are exercisable at £6.00 (2009 £6.00, 2008 £6.00)

The expected life of the options is not necessarily indicative of exercise patterns that may occur. The scheme allows for exercising of the options not earlier than 3 years after the option grant date, and not later than 10 years after the option grant date.

### 9 STATEMENT OF MOVEMENT ON RESERVES AND SHAREHOLDERS' FUNDS

	Share based payment reserve £'000	Merger reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
<b>At 28 June 2008</b>	266	3,500	70	(2,932)	904
Loss for the period	-	-	-	(1,554)	(1,554)
Share based payment	252	-	-	-	252
<b>At 27 June 2009</b>	518	3,500	70	(4,486)	(398)
Loss for the period	-	-	-	(1,451)	(1,451)
Share based payment	103	-	-	-	103
<b>As at 26 June 2010</b>	621	3,500	70	(5,937)	(1,746)

# Produce Investments Limited

## 10 CONTINGENT LIABILITY

The company has provided a composite cross guarantee to its bankers in respect of bank borrowings with group companies. At the end of the period the total bank borrowings of the group companies amounted to £20,635,000 (2009 - £29,135,000)

## 11 CONTROL

The company's immediate controlling party is Credential Produce LLP and the ultimate controlling party is R B Clapham

The largest group in which the results of the company are consolidated is that headed by Credential Produce LLP (registered in Scotland). The consolidated accounts are available to the public and may be obtained from Produce Investments Limited, Greenvale AP, Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW