Produce Investments plc

REPORTS AND FINANCIAL STATEMENTS

For the 52 weeks ended 25 June 2011

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Produce Investments plc

STATUTORY AND OTHER INFORMATION

DIRECTORS, OFFICERS AND ADVISERS

<u>DIRECTORS</u>
A Armstrong
R B Clapham
E Davies (resigned 18 November 2010)
M Jankowski
B Macdonald
Sir D Naish (appointed 20 September 2010)
D Porter
J Tucholski (resigned 18 November 2010)

<u>SECRETARY</u>
B Macdonald

<u>REGISTERED OFFICE</u>
Greenvale AP
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PE15 0UW

<u>AUDITOR</u>
Baker Tilly UK Audit LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
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<u>BANKERS</u>
Clydesdale Bank Plc
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10 Fleet Place
London
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CHAIRMAN’S STATEMENT

I am pleased to report to shareholders that the Group has performed well in the year ended 25 June 2011. It has been an eventful year which has seen the Group list on the London Stock Exchange AIM on the 18 November 2010. The Company placed 8.54m new ordinary shares and raised gross proceeds of £15.6m. The initial public offering significantly strengthened the balance sheet and ensures that the Company is well placed to grow organically and to take advantage of any acquisition opportunities as and when they may arise.

Total Group turnover increased by over 9.6% and pre-tax profits before exceptional charges amounted to £5.3m (2010: £5.6m). The Directors are therefore pleased to recommend a final dividend of 3.64pence per share, which combined with the interim dividend of 1.82pence per share (2010:nil) results in a total dividend for the year of 5.46pence per share. The final dividend will be paid on 28 October to ordinary shareholders on the register at close of business on 7 October 2011.

I would also like to express my sincere thanks to all the employees of the Group who have helped to contribute to these excellent results.

Barrie Clapham **on:** 28 September 2011
Non-Executive Chairman

CHIEF EXECUTIVE'S REPORT

In the year ended 25 June 2011, we have seen a particularly high priced potato season, primarily as a consequence of crop shortages across Europe which helped push up the free buy price of potatoes here in the UK. The Group's procurement model, which is based on sustainable fixed price procurement contracts with its grower base, means that the Group is part protected against such price fluctuations. However, a certain element is still linked to market prices and the Group has experienced an increase in the cost of potatoes which it has endeavoured to pass on to its customers where possible during the year. Improvements in operational efficiency and raw material yields have also helped mitigate such increases in the cost of potatoes.

New business gained in the food service and processing sectors, along with increased trading revenues on the back of the high priced season, has increased total revenue by 9.6% against last year to £171.4m. As anticipated, total retail volumes sold were below last years and this, coupled with the high priced season, resulted in operating profit before exceptional charges being below that of last year by £1.3m. However, lower interest and tax charges for the year helped to compensate for this reduction, resulting in adjusted earnings per share for the year of 21.10 pence, a 4.7% gain on the prior year (2010: 20.15 pence).

The Group has continued to invest in new technology and a number of awards were gained for our new innovative washing process which was completed at our Tern Hill site in Shropshire and is now being installed at our Floods Ferry site in Cambridgeshire.

As a result of the listing and injection of new funds net debt at the year end stands at £8.1m compared with £25.2m last year.

The market remains fiercely competitive and difficulties facing the UK consumer are well documented. Despite this the Board is confident that the Group is well positioned to develop and expand the business as new opportunities arise with both existing and new customers.

Angus Armstrong **on:** 28 September 2011
Chief Executive Officer

The Directors present their report and financial statements of Produce Investments plc for the 52 weeks ended 25 June 2011.

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 Company was registered as a public limited company on 18th October 2010 and admitted to the London Stock Exchange AIM on 18th November 2010. The Company raised gross proceeds of £15.55m from the placing, with 8.54m new ordinary shares issued.

The directors are satisfied with the performance of the Group given the challenging trading conditions experienced during the year. As forecast, trading for the first half of the year was impacted by the reduction in volume through Sainsbury's, however this volume has increased in the second six months. A lower than average yielding crop and shortages across Europe resulted in higher free buy raw material prices throughout the year. The Group has maintained its position with its major customers through the continued provision of exceptionally high customer service levels across the whole supply chain.

The Group has maintained a good relationship with its bank throughout the year and continues to reduce its net borrowings. Net debt at the year end stands at £8.1m compared with £25.2m at June 2010.

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 Groups position of preferred supplier.

Impact of adverse weather
The Group's operations are influenced by the volume and quality of the UK potato crop. In the event of a poor UK potato crop owing to adverse weather conditions, the Group is likely to suffer from an increased price for a proportion of its potato supplies. The Group's exposure to adverse weather conditions is increased due to its own growing operations. The geographically diverse spread of third party procurement and the Group's own growing, covering all the main potato growing regions of the UK, reduces the risk to the Group of crop failure in any specific region.

Litigation
In relation to the issue of police investigations into payments made between June 2006 and December 2007 involving senior employees of the Group and a produce buyer at Sainsbury's the Group has had confirmation from the authorities that there will be no action taken against the Company or any of its current employees.

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:

	2011	2010
Production and warehouse	633	708
Management and administration	123	126
Total average number of employees	**756**	**834**

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 25 June 2011 the Group has experienced increases in the cost of potatoes and other input costs which it has endeavoured to pass on to its customer base where possible.

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

- Volume of potatoes sold: overall total volumes have declined due primarily as a result of lower fresh sales to retail; Yield%; the Group monitors the yield through its three main fresh sites and this resulted in an improvement of over 4.3% compared with the previous year as a result of improved efficiency and overall quality of crop.
- Man hours per tonne: the Group monitors the number of worked hours to pack potatoes and this showed an improvement of over 2.1% compared with the previous year which reflects the continued focus on investment in efficiency improvements across the sites.

Results and dividends
The retained profit after tax for the period was £1,713k (2010: £3,990k). Adjusted profit after tax and before exceptional costs relating to the flotation was £4,148k (2010: £3,990k) (note 10).

Basic earnings per share were 8.78pence (2010: 20.15pence). Diluted earnings per share were 8.06pence (2010: 18.79pence).

Adjusted earnings per share before exceptional items were 21.10pence (2010: 20.15). Adjusted diluted earnings per share were 19.37pence (2010: 18.79pence). Note 10 details the adjusting items in arriving at an adjusted EPS figure.

An interim dividend of 1.82p per ordinary share was paid in April 2011. The Directors recommend the payment of a final dividend for the period, which is not reflected in these accounts of 3.64pence per ordinary share which together with the interim dividend, represents 5.46pence per ordinary share. This is subject to approval at the Annual General Meeting and if approved will be paid on 28 October 2011 to ordinary shareholders on the register at close of business on 7 October. Ordinary shares will go ex dividend on 5 October 2011.

Substantial shareholdings
As at the date of this report, the Company is aware of the following holdings that constitute more than 3% or more of the voting rights of the Company:

	Number of ordinary shares	% of issued share capital
Credential Produce LLP	6,177,635	31.13
Morston Nominees Limited	6,136,183	30.92
Produce Acquisitions LLP	1,976,951	9.96
Credit Suisse Client Nominees Limited	1,335,538	6.73
Chase Nominees Limited	770,037	3.88
Credential Oldco Limited	293,956	1.48

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 James Hutton 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 £29,000 (2010 - £16,000). The Group made no political donations during the period.

The Group has chosen Macmillan Cancer Support as its preferred charity for 2011.

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

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.

Corporate Governance
The Directors recognise the value and importance of high standards of corporate governance and intend to observe the requirements of the UK Corporate Governance Code to the extent they consider appropriate in light of the Company’s size, stage of development and resources.

The Board comprises 2 executive directors and 4 non-executive directors, following the appointment of Sir David Naish. The Directors consider the composition of the Board to be a satisfactory balance for the purposes of decision making for the Group. The Board will meet at least seven times per year and since admission on the 18th November 2010 it has held three Board meetings.

The Group has established an audit and a nominations and remuneration committee of the Board with formally delegated duties and responsibilities. Derek Porter chairs the Audit Committee and Sir David Naish chairs the Nominations and Remuneration Committee.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring the financial performance of the Group is properly measured and reported on. The Audit Committee have access to financial reporting information throughout the year and have unrestricted access to the Group’s auditors.

The Nominations and Remuneration Committee is responsible for making recommendations on the appointment of new directors and for reviewing the composition of the Board. It will also review the performance of the Executive Directors and make recommendations to the Board on matters pertaining to their remuneration, benefits and terms of employment. Full details of the make up and scope of these Committees can be found on the Company's website at www.produceinvestments.co.uk

Annual General Meeting
The notice convening the Annual General Meeting (AGM) can be found in the Notice of the AGM accompanying this annual report and financial statements, and can also be found on the Company's website at www.produce investments.co.uk.

Auditors
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

B Macdonald **on:** 28 September 2011
Director

BRIBERY ACT

The Group have considered the implications of the recent legislation on bribery and corruption and have undertaken an in-depth review of policies and practices in conjunction with the Group's legal advisers.

Following this review the Directors have drawn up a policy, communicated this to all staff, and others, potentially affected by the implementation of the legislation and have held training sessions for all management to introduce the policy, underline the Group's attitude towards any such corrupt practices and to advise of their personal and corporate responsibility to ensure adherence. The Directors have also introduced a regular internal audit process to provide the stakeholders in the Group with the required reassurance that the legislation is being complied with.

This report has been approved by the Board and the Remuneration Committee and has been voluntarily prepared in accordance with Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and with due account taken of the UK Corporate Governance Code. The report also provides the information required to be reported on Directors remuneration under AIM Rule 19.

Remuneration Committee

Composition of the Committee
The members of the Committee, all of whom are considered independent of the executive management team, are:

- Sir David Naish (Chairman)
- Barrie Clapham
- Michael Jankowski

Role of the Committee
The key responsibilities of the Committee are to make recommendations to the Board as to the:

- board policy and elements for the remuneration of the Executive Directors and the Chairman;
- individual elements of the remuneration of those Directors; and
- grant of share based incentives to Executive Directors and all other employees.

No Director takes part in any discussion directly concerning his own remuneration.

The full terms of reference of the Committee are available on the Company's website at www.produceinvestments.co.uk

Advisers to the Committee
The Committee has appointed independent remuneration consultants, Hewitt New Bridge Street (a trading name of Aon Corporation) to advise on all aspects of senior executive remuneration.

The Committee also seeks advice where appropriate from the Group Human Resources Manager/ Company Secretary to ensure that the remuneration policy proposed by the Committee to the Board takes account of company-specific factors relating to strategy and takes due account of pay and conditions in the Company as a whole.

Remuneration policy for Executive Directors
Remuneration policy is based on the following broad principles set by the Committee:

- to provide a market competitive remuneration package to attract and retain executives of sufficient calibre;
- to align remuneration to the business strategy;
- to align the interests of executive directors with the interests of shareholders; and
- to take account of (i) pay and conditions throughout the Company and (ii) established best practice as set out in institutional investor guidelines.

The objective of this policy is aligned with the recommendations of the UK Corporate Governance Code.
The Committee ensures that account is taken of environmental, social and governance ('ESG') risks when setting remuneration and is comfortable that remuneration packages do not raise any ESG risks by motivating irresponsible behaviour. The Committee also ensures that inappropriate operational/financial risk-taking is neither encouraged nor rewarded through the Company's remuneration policies and that, instead, a sensible balance is struck between fixed and performance related pay, short and long-term incentives and cash and share based remuneration.

Fixed versus performance related remuneration
In order to incentivise management whilst aligning their interests with those of shareholders, a substantial proportion of the Executive Directors' pay is performance related, through an annual bonus plan (based on profit growth) and share based long term incentives (based on EPS).

Remuneration of Non-Executive Directors
The fees of the Non-Executive Directors (other than the Chairman) are set by the Board. When setting these fees, due account is taken of fees paid to Non-Executive Directors of similar companies, the time commitment of each Director and any additional responsibilities undertaken, such as acting as Chairman to one of the Board Committees or as Senior Independent Director.

Currently the fee level for the Chairman is £85,000. The fee level for the Senior Independent Director, Sir David Naish is £45,000, comprising a base fee of £40,000 and an additional fee for Chairing the Remuneration Committee of £5,000. The fee paid to Michael Jankowski and Derek Porter is £25,000. Non-Executive Directors are not eligible to receive pension entitlements or bonuses and may not participate in long-term incentive schemes.

Elements of remuneration
The components of the Executive Directors' remuneration are summarised below.

(i) Basic salary
The salary of individual Executive Directors is reviewed with effect from 1 July each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred and the rates for similar roles within the appropriate comparator groups.

The current salary levels with effect from 1 July 2011 are as follows:
- Angus Armstrong £165,300
- Brian Macdonald £165,300

(ii) Bonus Plan
The maximum potential bonus payable to Executive Directors for the 2010/11 financial year is capped at 70% of salary, although in the case of Brian Macdonald this may be increased by 10% (see below under 'pensions'). Bonuses are payable based on profitability of the Company. If the profit on ordinary activities before taxation shown in the Company's audited financial statements is greater than the amount shown in the budget agreed at the commencement of the financial year, a proportion of that profit ahead of budget will be distributed to Executive Directors and other executives through the Bonus Plan. The proportion to be distributed will be 20% of the excess if that excess is between £200,000 and £400,000, rising in increments of 1% for each additional £200,000 of the excess, up to a maximum of 30%.

(iii) Long-term incentive arrangements
The LTIP (Long Term Incentive Plan) is used to award share options to selected executives to allow them to share in the success of the Company.

(iv) Benefits
It is Company policy to provide Executive Directors with a company car, private medical, income protection and health and life assurance.

(v) Pensions
Under the terms of his service agreement, Angus Armstrong is entitled to a pension contribution equivalent to 20% of base salary. Brian Macdonald does not receive a pension contribution, but instead is entitled to a 10% uplift in annual bonus entitlement (provided that 80% of the annual profit target is achieved in the relevant year).

Directors service contracts, notice periods and termination payments

Executive Directors
The contract dates and notice periods for the Executive Directors are as follows:

Director	Contract date	Notice period from the Company	Notice period from the Director
Angus Armstrong	11 November 2010	12 months	12 months
Brian Macdonald	11 November 2010	12 months	12 months

The service contracts of both Directors, which are rolling contracts, are subject to standard terms in the event of termination.

Executive Directors external appointments
Board approval is required before any external appointment can be accepted by an Executive Director. Currently neither Executive Director has any external appointments.

Non-Executive Directors
The Non-Executive Directors do not have service contracts with the Company but are appointed for an initial three-year term. Non-Executive Directors are typically expected to serve for two three-year terms, although their appointment can be terminated either by them or by the Company on three month's written notice. The Chairman's notice period is one month. All Directors are required to stand for re-election by shareholders at least once every three years. The appointment dates of the Non-Executive Directors are:

Barrie Clapham	11 November 2010, appointed Chairman
Sir David Naish	20 September 2010
Michael Jankowski	11 November 2010
Derek Porter	11 November 2010

Directors emoluments

	Salary/fees £000	Bonus £000	Benefits £000	Pension £000	Total 2010/11 £000
Angus Armstrong	99.2	13.4	6.6	20.2	139.4
Brian Macdonald	99.2	23.3	4.4	-	126.9

Note: this is the remuneration receivable in their capacity as Executive Directors since flotation of the Company on 18 November 2010

Directors shareholdings

Directors interests and transactions in the Ordinary Shares of the Company
The beneficial and non-beneficial interests of the Directors in office as at 18 November 2010 and at 25 June 2011 are shown below:

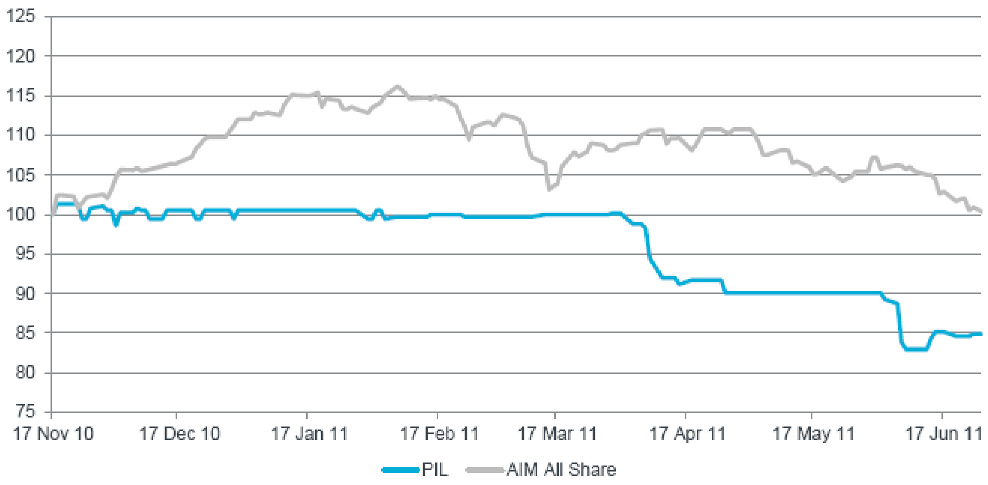
	As at 25 June 2011	At 18 November 2010 or on appointment if later
Executive Directors		
Angus Armstrong*	230,250	230,250
Brian Macdonald	-	-
Non-Executive Directors		
Barrie Clapham**	6,167,242	6,167,242
Sir David Naish (Chairman)	-	-
Michael Jankowski***	757,969	756,969
Derek Porter****	91,305	91,305

*Mr Armstrong's shares are held through his spouse.
**Mr Clapham's shares are held through Credential Produce and Credential Oldco Limited.
***Mr Jankowski's shares are held through Produce Acquisitions with the exception of 1,000 shares which are in his own name.
**** Mr Porter's shares are held through Credential Produce.

Outstanding Share Option awards
Details of outstanding share option awards are summarised in the table below:

	18 November 2010	Granted (lapsed)	Exercised	25 June 2011	Exercise price	Date of grant	Dates within which exercisable
Angus Armstrong	34,607	-	-	34,607	£0.74	4.10.2007	4.10.2010-3.10.2017
	152,156	-	-	152,156	£0.01	11.11.2010	11.11.2011-10.11.2020
Brian Macdonald	38,933	-	-	38,933	£0.74	27.5.2009	27.5.2012-26.5.2019
	517,540	-	-	517,540	£0.01	11.11.2010	27.5.2012-26.5.2019

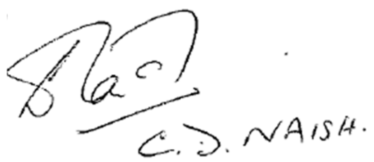
Total Shareholder Return performance
The following graph shows a comparison of Produce Investment plc's Total Shareholder Return against that achieved by the AIM All Share Index. This index is seen as the most appropriate to represent the Company's relative performance for these purposes as the Company is a constituent of this Index.



Source: Datastream

This graph shows the value, to 25 June 2011, of £100 invested in Produce Investments plc on 11 November 2010 compared with the value of £100 invested in the AIM All Share Index.

By Order of the Board



Sir David Naish **on:** 28 September 2011
Chairman of the Remuneration Committee

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 group and company financial statements for each financial year. The directors are required by the AIM Rules of The London Stock Exchange 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 Groups 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Produce Investments plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRODUCE INVESTMENTS PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 15 to 53. 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 auditor
As more fully explained in the Directors Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 25 June 2011 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 matter 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

on: 28 September 2011

ALAN AITCHISON (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Baker Tilly UK Audit LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes, MK9 1BP

Produce Investments plc

CONSOLIDATED INCOME STATEMENT
For the 52 weeks ended 25 June 2011

	Notes	2011 £'000	2010 £'000
CONTINUING OPERATIONS			
Revenue	4	171,428	156,346
Cost of sales	7	(130,102)	(114,470)
Gross profit		41,326	41,876
Administrative and other operating expenses	7	(34,893)	(34,103)
Operating profit, being profit before interest and tax		6,433	7,773
Exceptional costs relating to flotation	7	(2,768)	-
Finance costs	6	(1,123)	(2,212)
Finance income	6	18	22
Share of profit of an associate	3	7	2
Profit on disposal of an associate		-	15
Profit before tax from continuing operations		2,567	5,600
Income tax expense	9	(854)	(1,610)
Profit for the 52 weeks		1,713	3,990
Attributable to:			
Equity holders of the parent		1,734	3,978
Non- controlling interests		(21)	12
		1,713	3,990
Earnings per share attributable to owners of the parent during the year:			
Basic earnings per share (pence)	10	8.78	20.15
Diluted earnings per share (pence)	10	8.27	19.35
Adjusted basic earnings per share (pence)	10	21.10	20.15
Adjusted diluted earnings per share (pence)	10	19.89	19.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 25 June 2011

	Notes	2011 £'000	2010 £'000
Profit for the 52 weeks		1,713	3,990
Other comprehensive income:			
Actuarial gain / (loss) in respect of pension scheme	23	2,557	(3,691)
Income tax effect on actuarial gain / (loss)	9	(810)	1,033
Effect of change in tax rate on historic equity tax postings	9	(112)	-
Current income tax credit recognised through equity	9	145	-
Deferred tax assets recognised directly through equity	9	82	-
Other comprehensive income for the 52 weeks, net of tax		1,862	(2,658)
Total comprehensive income for the 52 weeks, net of tax		3,575	1,332
Attributable to:			
Equity holders of the parent		3,596	1,320
Non- controlling interests		(21)	12
		3,575	1,332

Produce Investments plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 25 June 2011

	Notes	**2011 £'000**	**2010 £'000**
ASSETS			
Non-current assets:			
Property, plant and equipment	13	24,166	24,120
Intangible assets	14	11,482	12,096
Investment in associates	3	169	162
Other non-current financial assets	15	-	309
Deferred tax assets	9	1,719	2,260
		37,536	38,947
Current assets:			
Inventories	16	5,454	5,461
Biological assets	5	4,096	3,710
Trade and other receivables	17	18,360	15,440
Prepayments		1,022	956
Cash and short-term deposits	18	5,271	204
		34,203	25,771
Non current assets classified as held for sale	12	500	500
Total assets		**72,239**	**65,218**
EQUITY AND LIABILITIES			
Equity:			
Issued capital	19	198	-
Share premium	19	15,536	70
Other capital reserves	20	3,500	4,121
Retained earnings		4,032	(1,183)
Equity attributable to equity holders of the parent		23,266	3,008
Non-controlling interests		18	39
Total equity		**23,284**	**3,047**
Non-current liabilities:			
Interest-bearing loans and borrowings	15	12,089	13,579
Other non-current financial liabilities	15	1,637	1,949
Deferred revenue	22	139	88
Pensions and other post employment benefit obligations	23	2,535	5,579
Deferred tax liability	9	5,193	5,730
		21,593	26,925
Current liabilities:			
Trade and other payables	25	24,651	21,471
Interest-bearing loans and borrowings	15	1,301	12,110
Deferred revenue	22	95	151
Income tax payable	9	1,299	1,410
Provisions	21	16	104
		27,362	35,246
Total liabilities		**48,955**	**62,171**
Total equity and liabilities		**72,239**	**65,218**

The financial statements on pages 15 to 53 were approved for issue by the Board of Directors and signed on its behalf by:

B Macdonald B. Macdonald **on:** 28 September 2011
Director

Produce Investments plc

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the 52 weeks ended 25 June 2011

	Notes	**Issued capital** *(Note 19)*	**Share premium** *(Note 19)*	**Other capital reserves** *(Note 20)*	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
Total comprehensive income		**-**	**-**	**-**	**1,320**	**1,320**	**12**	**1,332**
Share-based payment transactions	24	-	-	103	-	103	-	103
As at 26 June 2010		**-**	**70**	**4,121**	**(1,183)**	**3,008**	**39**	**3,047**
Profit for the period		-	-	-	1,734	1,734	(21)	1,713
Actuarial gain on post employment benefit obligations		-	-	-	2,557	2,557	-	2,557
Deferred tax on actuarial gain		-	-	-	(810)	(810)	-	(810)
Tax rate change on balances taken to equity		-	-	-	(112)	(112)	-	(112)
Current year tax taken to equity		-	-	-	145	145	-	145
Deferred tax taken directly to equity		-	-	-	82	82	-	82
Total comprehensive income		**-**	**-**	**-**	**3,596**	**3,596**	**(21)**	**3,575**
Reserves transfer		-	-	(621)	621	-	-	-
Reserves movements on bonus share issue		112	(70)	-	(42)	-	-	-
New shares issued during period		86	15,536	-	-	15,622	-	15,622
Share-based payment transactions	24	-	-	-	1,399	1,399	-	1,399
Equity dividends paid	11	-	-	-	(359)	(359)	-	(359)
As at 25 June 2011		**198**	**15,536**	**3,500**	**4,032**	**23,266**	**18**	**23,284**

Produce Investments plc

CONSOLIDATED CASH FLOW STATEMENT
For the 52 weeks ended 25 June 2011

	Notes	2011 £'000	2010 £'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations	7	2,567	5,600
Adjustments to reconcile profit before tax for the year to net cash inflow from operating activities:			
Depreciation and amortisation		3,732	3,687
Share-based payment transaction expense	24	1,399	103
Gain on disposal of property, plant and equipment		(40)	-
Finance income	6	(18)	(22)
Finance costs	6	1,123	2,212
Share or net profit of associate	3	(7)	(2)
Gain on disposal of investment in associated company		-	(15)
Fair value movement on biological assets		(108)	(96)
Movement in provisions		(88)	(258)
Difference between pension contributions paid and amounts recognised in the income statement		(556)	(552)
Working capital adjustments:			
(Increase) / decrease in trade and other receivables and prepayments		(2,986)	665
(Increase) / decrease in inventories and biological assets		(271)	891
Increase in trade and other payables		3,163	109
(Decrease) / increase in deferred revenue		(5)	133
Interest received		18	22
Income tax paid		(1,656)	(1,971)
Net cash flows from operating activities		6,267	10,506
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		122	93
Purchase of property, plant and equipment		(3,225)	(2,693)
Purchase of intangible assets		(21)	(104)
Proceeds from sale of investment in associate		-	37
Net cash flows used in investing activities		(3,124)	(2,667)
FINANCING ACTIVITIES			
Payment of finance lease liabilities		(135)	(129)
Long term bank deposits converted to cash		309	-
Bank loans repaid during period		(2,332)	(2,124)
Settlement of loan notes		(5,162)	-
Interest paid		(1,264)	(1,433)
Dividends paid to equity shareholders of parent		(359)	-
Proceeds from share issues		15,622	-
Net cash flows used in financing activities		6,679	(3,686)
Net increase in cash and cash equivalents		9,822	4,153
Cash and cash equivalents at beginning of 52 week period	18	(4,551)	(8,704)
Cash and cash equivalents at end of 52 week period	18	5,271	(4,551)

1 General information

Produce Investments plc ("the Company") and its subsidiaries (together "the Group") is a leading operator in the fresh potato sector with vertically integrated activities covering seed production, own growing, processing and packing and supply to the major retailers. The Company's subsidiaries are listed in note 29.

The Company is a public limited company incorporated and domiciled in the UK. Its registered office is Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 OUW.

The Company was listed on the London Stock Exchange AIM on the 18 November 2010. Prior to listing, the Company's immediate controlling party was Credential Produce LLP with the ultimate controlling party being Mr RB Clapham.

The financial year represents 52 weeks to the 25 June 2011 (prior year 52 weeks to 26 June 2010).

These consolidated financial statements were approved for issue on 26 September 2011.

2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the group for the period ended 25 June 2011 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period.

These 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.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 25 June 2011. 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.

Changes in accounting estimates and disclosures
The Group has adopted all IFRS and IFRIC interpretations effective for periods beginning on or after 27 June 2010.

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

IFRS 9 Financial Instruments
IAS 24 Related Party Disclosures
IFRS 7 Financial Instruments: Disclosures - Amendments; Disclosures - Transfer of Financial Assets
IFRS 10 Consolidated financial Statements

Changes in accounting estimates and disclosures (continued)
The Group expects that there will be no material impact on the consolidated financial statements resulting from the implementation of the above standards.

IFRS 13 Fair Value Measurement
The implementation of this standard could impact on the carrying values of the group's assets and liabilities carried at fair value.

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. Biological assets at the reporting date were valued at £4.1m (2010:£3.7m) (see note 5).

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. Intangible assets at the reporting date were valued at £11.5m (2010:£12.1m) (see note 14).

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. Defined benefit pension obligations at the reporting date were valued at £2.5m (2010:£5.6m) (see note 23).

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. Share based payment charges in the period were £1.4m (2010:£0.1m) (see note 24).

During the period, the group revisited its historic accounting in respect of share based payments. In all prior periods up to and including the period ended 27 June 2009, the group accounted for share based payments using the intrinsic valuation method permitted by IFRS 2. During the current period, the group recomputed all intrinsically valued share options using the Black Scholes option pricing model. No material changes to historic charges arose as a result of this review. The directors regard this as a change of accounting estimate.

For the current accounting policy, see below.

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 acquirees 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 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.

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.

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.

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 each 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 and of 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.

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses interest rate swaps to hedge its interest rate risk. These 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 at the end of each reporting period. These instruments have been designated as 'financial assets and liabilities at fair value through profit or loss'. Accordingly, assets and liabilities arising from these derivative financial instruments are carried in the balance sheet at fair value with gains or losses recognised in the income statement. 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.

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.

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.

3 Investments in associates

The Group has non controlling investments in two companies 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.

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 unaudited financial information of the Group's investment in Organic Potato Growers (Scotland) Limited:

	2011 £'000	**2010 £'000**
Share of the associate's statement of financial position		
Current assets	228	184
Non-current assets	506	552
Current liabilities	(302)	(292)
Non-current liabilities	(273)	(335)
Equity	159	109
Share of the associate's revenue and profit:		
Revenue	364	360
Profits	7	3
Carrying amount of the investment	147	140

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 unaudited financial information of the Group's investment in BROP:

	2011 £'000	2010 £'000
Share of the associate's statement of financial position		
Current assets	411	383
Non-current assets	44	45
Current liabilities	(32)	(135)
Non-current liabilities	-	-
Equity	423	293
Share of the associate's revenue and profit:		
Revenue	2,207	2,089
Profits	89	43
Carrying amount of the investment	22	22

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.

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 25 June 2011

	Fresh £000	Processing £000	Other £000	Total £000
Revenue	127,681	7,775	35,972	171,428
Depreciation and amortisation	(2,628)	(622)	(482)	(3,732)
Other operating costs	(120,655)	(6,385)	(34,223)	(161,263)
Operating profit	**4,398**	**768**	**1,267**	**6,433**
Costs not allocated:				
Exceptional fees/costs relating to flotation				(2,768)
Finance costs				(1,123)
Finance income				18
Share of profit of associate				7
Profit on disposal of associate				-
Profit before tax				**2,567**
Capital expenditure	(2,638)	(161)	(426)	(3,225)
Development costs	-	-	(21)	(21)

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)
Operating profit	**7,141**	**306**	**326**	**7,773**
Costs not allocated:				
Finance costs				(2,212)
Finance income				22
Share of profit of associate				2
Profit on disposal of associate				15
Profit before tax				**5,600**
Capital expenditure	(1,824)	(44)	(825)	(2,693)
Development costs	-	-	(104)	(104)

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.

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

	2011 £'000	2010 £'000
Fresh	-	-
Processing	11,355	11,880
Other	127	216
Total	**11,482**	**12,096**

Property, plant and equipment analysis

	2011 £'000	2010 £'000
Fresh	12,365	12,101
Processing	2,335	2,594
Other	1,906	1,865
Unallocated	7,560	7,560
Total	**24,166**	**24,120**

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

Geographical information

Revenues from external customers

	2011 £’000	2010 £’000
UK	165,084	151,285
Other EU countries	3,616	2,697
Rest of the world	2,728	2,364
Total revenue per consolidated income statement	171,428	156,346

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

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

	2011 £000	2010 £000
Customer 1	69,823	73,856
Customer 2	33,412	34,048

5 Biological assets

	2011 £'000	2010 £'000
Opening value of biological assets	3,710	3,284
Harvested potatoes transferred to inventories	(7,698)	(6,840)
Changes in fair value	108	96
Growing costs invested in the crop	7,976	7,170
Closing value of biological assets	4,096	3,710

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 harvested produce 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 potato plants at each balance sheet date. Crops 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 produce harvested from biological assets during the period was £7,698,000 (2010: £6,840,000).

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 all inventories of the Group, including biological assets, in the event such security is required.

The Group had commitments at the reporting date of £726k (2010:£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

	2011	2010
Acres planted at the end of the year	3,169	3,303
Expected yield (tonnes / acre)	16.6	17.3

6 Finance costs and finance income

Finance costs

	2011 £'000	2010 £'000
Interest on overdrafts and other finance costs	1,261	1,518
Net interest on pension obligations	69	111
Finance charges payable under finance leases and HP contracts	21	23
Net (profit)/loss on financial assets and liabilities at fair value through profit and loss	(312)	434
Interest on loan notes	84	126
Total finance costs	1,123	2,212

Finance income

	2011 £'000	2010 £'000
Interest receivable	18	22
Total finance income	18	22

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

	2011 £'000	2010 £'000
Revenue	171,428	156,346
Cost of inventories recognised as an expense	(98,728)	(83,900)
Consumables	(22,618)	(21,927)
Other external charges and direct sales costs	(8,756)	(8,643)
Staff costs	(21,377)	(20,370)
Depreciation:		
- owned	(2,879)	(2,850)
- leased	(218)	(227)
Amortisation	(635)	(610)
Other operating charges	(8,349)	(8,759)
Research and development	(346)	(315)
Net foreign exchange differences	-	11
Minimum lease payments recognised as operating expense:		
- plant and machinery	(573)	(541)
- fixtures and fittings	(367)	(263)
- land and buildings	(149)	(179)
Operating profit	**6,433**	**7,773**
Exceptional costs relating to flotation	(2,768)	-
Profit on disposal of investments	-	15
Share of associate investment	7	2
Finance costs	(1,123)	(2,212)
Finance income	18	22
Profit / (loss) before tax	**2,567**	**5,600**

Exceptional costs comprise £1,536,000 in relation to share based charges and £1,232,000 relating to fees, regarding the flotation.

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

	2011 £'000	2010 £'000
Audit services – Baker Tilly UK Audit LLP:		
Statutory audit of parent and consolidated accounts	94	30
Audit of subsidiaries	20	70
Interim financial statement review	14	-
Tax services – Baker Tilly Tax and Accounting Limited:		
Compliance services	48	35
Corporate finance transactions – Baker Tilly Corporate Finance LLP	154	-

8 Employee benefits expense

	2011 £'000	2010 £'000
Wages and salaries	19,035	18,217
Social security costs	1,813	1,568
Pension costs	480	482
Share-based payment expense	49	103
Total employee benefit expenses	21,377	20,370

Wages and salaries include agency labour amounting to £2,235,000 (2010: £1,586,000).
The average monthly number of persons (including directors) employed by the Group during the period is disclosed within the Directors report.

Employee benefit expense
The aggregate amount of remuneration paid to senior management by the Group during the period was:

	2011 £'000	2010 £'000
In respect of the directors:		
Emoluments for qualifying services	475	449
Company pension contributions to money purchase scheme	44	105
Employer's National Insurance	205	50
Non Executive Director's fees	187	130
Total	911	734

The above remuneration includes all executive directors and non-executive directors of the Group. All fees paid to non-executive directors are disclosed within the Directors remuneration report.

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

	2011 £'000	2010 £'000
Emoluments for qualifying services	212	194
Employer's National Insurance	141	23
Total	353	217

9 Income tax

The major components of income tax expense for the period are:

Consolidated income statement

	2011 £'000	2010 £'000
Current income tax expense	1,690	2,140
Amounts overprovided in previous years	-	(69)
Total current income tax	**1,690**	**2,071**
Deferred tax:		
Effect of rate change on opening balance	(174)	-
Origination and reversal of temporary differences	(760)	(596)
Adjustments in respect of previous years	98	135
	(836)	**(461)**
Tax expense in the income statement	**854**	**1,610**

Consolidated statement of comprehensive income

	2011 £'000	2010 £'000
Tax items charged / (credited) directly to equity during the year:		
Deferred tax rate change on retirement benefit obligations	112	-
Deferred tax movement re retirement benefit obligations	810	(1,033)
Deferred tax asset on share based payments	(82)	-
Current tax taken directly to equity	(145)	-
Income tax charged / (credited) directly to equity	695	(1,033)

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:

	2011 £'000	2010 £'000
Profit before tax	2,567	5,600
Tax at 27.5% (2010:28%)	706	1,568
Effect of:		
Flotation fees non deductible	339	-
Expenses non deductible	85	(24)
Change in tax rate	(374)	-
Adjustments in respect of prior years	98	66
Tax expense in the income statement	**854**	**1,610**

The change in the tax rate for the year arises as a result of the UK Corporation tax reduction from 28% to 26%, which took effect from April 2011. The weighted average Corporation tax rate for the period to 25 June 2011 was 27.5% (2010:28%).

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

Non current deferred tax liabilities	**2011 £'000**	**2010 £'000**
Accelerated capital allowances	1,784	1,841
Other	1,872	2,118
Acquisition fair value adjustments (customer lists)	1,500	1,762
	5,156	**5,721**
Non current deferred tax assets		
Pensions and post employment obligations	659	1,562
Fair value of interest rate swaps	426	546
Share based payments	579	-
	1,664	**2,108**
Current deferred tax liabilities		
Temporary differences arising from valuation of biological assets	**37**	**9**
Current deferred tax assets		
Other	55	152
	55	**152**

Net deferred tax position

	2011 £'000	**2010 £'000**
Net deferred tax	**3,474**	**3,470**

Reconciliation of total deferred tax movements	**2011 £'000**	**2010 £'000**
Opening net deferred tax	**3,470**	**4,964**
Income statement	(836)	(461)
Statement of comprehensive income	840	(1,033)
Closing net deferred tax	**3,474**	**3,470**

The deferred tax included in the income statement is as follows:

	2011 £'000	**2010 £'000**
Impact of rate change		
Accelerated capital allowances	(303)	(219)
Pensions and post employment obligations	(18)	123
Other	97	(123)
Acquisition fair value adjustments - customer lists	(262)	(147)
Share based payments	(498)	-
Movement in fair value of interest rate swap	120	(122)
Temporary differences arising from valuation of biological assets	28	27
Deferred income tax (credit)	**(836)**	**(461)**

10 Earnings per share

	2011	**2010**
Profit attributable to equity shareholders (£'000)	1,734	3,978
Weighted average number of ordinary shares in issue	19,759,583	19,744,548
Weighted average number of options with dilutive effect	1,200,409	809,629
Total number of shares – fully diluted	20,959,992	20,554,177
Basic earnings per share – pence	8.78	20.15
Diluted earnings per share – pence	8.27	19.35
Adjusted earnings per share		
Operating profit as per income statement (£'000)	3,665	7,773
Add back exceptional costs associated with equity raising (£'000)	1,232	-
Add back exceptional costs arising on share options vesting on listing (£'000)	1,536	-
Operating profit pre exceptional (£'000)	6,433	7,773
Finance costs and income (£'000)	(1,105)	(2,190)
Income from associate	7	17
Adjusted profit before tax (£'000)	5,335	5,600
Tax on adjusted profit at underlying effective rate (£'000)	(1,187)	(1,610)
Adjusted profit after tax (£'000)	4,148	3,990
Adjusted profit attributable to ordinary shareholders (£'000)	4,169	3,978
Adjusted basic earnings per share – pence	21.10	20.15
Adjusted diluted earnings per share – pence	19.89	19.35

In line with the guidance in IAS 33 regarding retrospective adjustments, the number of ordinary shares and potential ordinary shares existing at 26 June 2010 have been adjusted retrospectively to provide a better comparison between the two periods.

Adjusted earnings per share is included to enable earnings to be produced on a directly comparable basis. To achieve this comparison, the operating profit for the 52 weeks to 25 June 2011 is reflected as if the exceptional items had not been included in the income statement. This increases underlying profit by £2,768,000. An underlying effective tax rate of 22% has then been applied to the adjusted profit.

11 Dividends

	2011 £000	2010 £000
Interim dividend in respect of 2011 paid 28 April 2011	359	-

The directors propose a final dividend of 3.64pence per share payable on 28 October 2011 to shareholders who are on the register at 7 October 2011. This dividend totalling £722,000 has not been recognised as a liability in these consolidated financial statements.

12 Assets held for resale

On 14 June 2009 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. 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 independently valued at £500,000 as of June 2009. Following the year end the Group disposed of the Wisbech premises. The net proceeds are anticipated to exceed the current carrying value.

13 Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation:				
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
Additions	66	3,122	37	3,225
Disposals	-	(289)	-	(289)
At 25 June 2011	17,800	24,598	705	43,103
Depreciation and impairment:				
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
Depreciation for the period	661	2,336	100	3,097
Disposals	-	(207)	-	(207)
At 25 June 2011	3,816	14,539	582	18,937
Net book value:				
At 25 June 2011	13,984	10,059	123	24,166
At 26 June 2010	14,579	9,355	186	24,120

Finance leases
The carrying value of plant and equipment held under finance leases and hire purchase contracts at 25 June 2011 was £747,000 (2010: £961,000). Additions during the year include £Nil (2010: £Nil) 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 £14.0m (2010: £14.6m) are subject to a first charge to secure two of the Group's bank loans (Note 15).

14 Intangible assets

	Goodwill £'000	Customer relationships £'000	Development Costs £'000	Patent costs £'000	Total £'000
Cost or valuation:					
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
Additions	-	-	21	-	21
At 25 June 2011	5,587	7,868	439	12	13,906
Amortisation:					
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
Amortisation for the period	-	525	110	-	635
At 25 June 2011	-	2,100	312	12	2,424
Net book value					
At 25 June 2011	5,587	5,768	127	-	11,482
At 26 June 2010	5,587	6,293	216	-	12,096

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 pre tax discount rate of 11% has been used in these calculations and applied to future cash flow projections. 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. Operating profit growth of 2% per annum from 2012 has been assumed.

Sensitivity analysis has 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.

15 Other financial assets and liabilities

Other financial assets

	2011 £'000	2010 £'000
Cash held on long term deposit at bank	-	309
Interest rate derivatives	-	-
Non-current	-	309

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. 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.

Other financial liabilities

	2011 £'000	2010 £'000
Interest rate derivatives	1,637	1,949
Non-current	1,637	1,949

Interest-bearing loans and borrowings June 2010	Interest rate %	Maturity	Current £'000	Non-Current £'000
Obligations under finance leases and hire purchase contracts (Note 27)	7%	July 2011 to March 2012	151	89
Bank overdraft & Invoice Discount facility	BASE+3.1%	On demand	4,755	-
Facility A	LIBOR+2.25%	April 2013	286	571
Facility B	LIBOR+1.75%	April 2021	768	7,437
Facility C	LIBOR+2.25%	June 2014	1,071	3,482
Facility D	LIBOR+2.50%	June 2014	-	2,000
Shareholder loan notes	Discounted at 7.74%	June 2011	5,079	-
Total interest-bearing loans and borrowings			**12,110**	**13,579**

Interest-bearing loans and borrowings June 2011	Interest rate %	Maturity	Current £'000	Non-Current £'000
Obligations under finance leases and hire purchase contracts (Note 27)	7%	July 2011 to March 2012	109	-
Facility B	LIBOR+2.85%	Jan 2021	767	6,671
Facility C	LIBOR+2.95%	Oct 2015	425	2,418
Facility D	LIBOR+3.25%	Oct 2015	-	3,000
Total interest-bearing loans and borrowings			**1,301**	**12,089**

The bank loans at June 2010 were represented by the following:

An original Company loan of £2,000,000, repayable quarterly in instalments of £71,000, and secured on the assets of the Group. Interest was payable at 2.25% above LIBOR. (Facility A)

An original Company loan of £11,500,000, repayable quarterly in instalments of £192,000, and secured on the assets of the Group. Interest was payable at 1.75% above LIBOR (Facility B).

An original Company loan of £7,500,000, repayable quarterly in instalments of £268,000, and secured on the assets of the Group. Interest was payable at 2.25% above LIBOR. (Facility C)

An original Company loan of £2,000,000, repayable on 30 June 2014, secured on the assets of the Group and not repayable by quarterly instalments. Interest was payable at 2.50% above LIBOR. (Facility D)

The bank loans at June 2011 were represented by the following:

Facility B (as above). Interest since November 2010 is now payable at 2.85% above LIBOR. Repayments remain at £192,000 per quarter.

Facility C (as above). Interest since November 2010 is now payable at 2.95% above LIBOR. Repayments at June 2011 are £87,000 per quarter. Each January from 2012-15 inclusive, the quarterly repayments for the next calendar year will change to £125,000 (2012), £187,500 (2013), £200,000 (2014) and £154,000 (2015).

Facility D (as above). This has been amended into Facilities D1 (£2m) and D2 (£1m). The total balance has increased to £3,000,000. The loan is not repayable in quarterly instalments. Interest is now payable at 3.25% above LIBOR. The loan is due for repayment on 30 June 2015.

Following the flotation of the Company in November 2010, facility A was cleared in full. There are no outstanding amounts in respect of this facility.

The Company has entered into hedge arrangements to fix the overall cost of these loans. The fair value of the hedge at the balance sheet date was £(1,637,000) {2010:(£1,949,000)}.

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 25 June 2011, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value	**25 June 2011 £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial liabilities at fair value through the income statement:				
Interest rate derivatives	1,637	-	1,637	-

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

During the reporting period ending 25 June 2011, 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.

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

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.

16 Inventories

	2011 £'000	**2010 £'000**
Raw materials (at cost)	5,147	5,254
Finished goods (at cost or net realisable value)	307	207
Total inventories at cost and net realisable value	5,454	5,461

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 (2010:£Nil).

17 Trade and other receivables

	2011 £'000	**2010 £'000**
Trade receivables	17,554	14,778
Other receivables	806	662
Total trade and other receivables	18,360	15,440

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

Receivables are in sterling denominations, with the exception of €815,000 (2010:€358,000) and SEK 459,000 (2010: SEK 842,000).

As at 25 June 2011, trade receivables at initial value of £348,000 (2010: £126,000) were impaired and fully provided for. See below for the movements in the provision for the impairment of receivables.

	Total £'000
At 26 June 2010	126
Charge for the 52 week period	230
Reversal of unused amounts	(8)
At 25 June 2011	348

All provisions above relate to individually impaired amounts.

The ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30-60 days £'000	61-90 days £'000	91-120 days £'000
2011	17,554	14,103	2,656	274	164	357
2010	14,778	11,941	1,906	482	130	319

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates. These balances relate to existing customers who have not defaulted in the past.

18 Cash and short-term deposits

	2011 £'000	2010 £'000
Cash at banks and on hand	5,271	204
Total cash and short-term deposits	5,271	204

The Group did not place any cash on short term deposit in any of the periods presented within these financial statements.

At 25 June 2011, the Group had available £4,156,000 (2010: £6,241,000) 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 25 June 2011:

	2011 £'000	2010 £'000
Cash at banks and on hand	5,271	204
	5,271	204
Bank overdraft and Invoice discounting facility (Note 15)	-	(4,755)
	5,271	(4,551)

19 Issued capital

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 26 June 2010	1,381	-	70	70
Bonus shares	1,118,623	112	(70)	42
	1,120,004	112	-	112
Consolidation of existing shares	(1,108,804)	-	-	-
Issued on flotation	8,545	85	15,466	15,551
Issued on exercise of share options	95	1	70	71
As at 25 June 2011	19,840	198	15,536	15,734

At 26 June 2010 the following was true in respect of issued shares:

- A total of 2,250,000 ordinary shares of nominal value £0.0001 had been authorised for issue. The total nominal value of authorised shares was £225.00.
- A total of 1,380,833 ordinary shares of nominal value £0.0001 had been issued and fully paid. The total nominal value of issued and fully paid shares is £138.08.
- Share premiums totalling £70,000 had been received in respect of the Company's shares.

Since 26 June 2010 the following transactions have occurred in respect of the share capital of the Company

- On 15 October 2010 the Company issued 1,118,623,467 ordinary shares of 0.01p each to its existing shareholders (pro-rata to existing holdings). All these shares were paid up (at nominal value) out of amounts standing to the credit of the Company's share premium account and profit and loss account. The Company then consolidated every 100 of the existing shares into 1 ordinary share of 1p, giving the Company a share capital of £112,000.43 comprised of 11,200,043 shares of 1p each.
- On 18 November 2010, following the successful admission of the Company to trading on the London Stock Exchange AIM market, a further 8,544,505 shares were issued. These new shares raised a further £15,551,000 of gross proceeds. These proceeds are included within share capital.
- In the period to 25 June 2011, a total of 95,736 ordinary shares have been issued to various individuals as a result of the exercise of share options. Gross proceeds of additional share issues was £70,825 and these proceeds are included within share capital.

At 25 June 2011, there were 19,840,284 ordinary shares in issue in the Company. All shares carry equal voting rights.

20 Other capital reserves

Other capital reserves	**Share-based payment transactions £'000**	**Acquisition reserve £'000**	**Total £'000**
At 26 June 2010	621	3,500	4,121
Transfer to retained earnings	(621)	-	(621)
At 25 June 2011	-	3,500	3,500

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 24 for further details of these plans.

During the period, brought forward reserves in respect of these transactions were transferred into retained earnings. This will permit the reader to see more clearly the carrying values of reserves available for distribution.

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'.

21 Provisions

	Total £'000
At 26 June 2010	104
Utilised	(88)
At 25 June 2011	16
Current 2011	16
Non-current 2011	-
Current 2010	104
Non-current 2010	-

A provision for the closure costs of the Wisbech premises totalling £362,000 was recorded in the period to 27 June 2009. As at 25 June 2011 there remains £16,000 of unutilised provision.

22 Deferred revenue

	2011 £'000	**2010 £'000**
Balance brought forward	239	106
Deferred during the 52 week period	239	307
Released to the income statement	(244)	(174)
Balance carried forward	234	239

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:

	2011 £'000	**2010 £'000**
Within one year	95	151
After one year but not more than five years	139	88
Total	**234**	**239**

23 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 £416,000 (2010: £482,000).

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	**2011 £'000**	**2010 £'000**
Current service cost	-	-
Interest cost on benefit obligation	1,227	1,129
Expected return on plan assets	(1,158)	(1,018)
Losses in early retirement, curtailments, settlements	-	-
Net benefit expense	69	111

Benefit (liability)	**2011 £'000**	**2010 £'000**
Present value defined benefit obligation	(21,982)	(23,005)
Fair value of plan assets	19,447	17,426
	(2,535)	(5,579)
Unrecognised actuarial losses	-	-
Unrecognised past service cost	-	-
Benefit (liability)	(2,535)	(5,579)

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

	2011 £'000	**2010 £'000**
Defined benefit obligation at start of 52 week period	(23,005)	(16,323)
Interest cost	(1,227)	(1,129)
Current service cost	-	-
Benefits paid	583	401
Actuarial gain/(loss) on obligation	1,667	(5,954)
Defined benefit obligation at end of 52 week period	(21,982)	(23,005)

Changes in the fair value of plan assets are as follows:

	2011 £'000	**2010 £'000**
Fair value of plan assets at start of 52 week period	17,426	13,994
Expected return	1,158	1,018
Contribution by employer	556	552
Benefits paid	(583)	(401)
Actuarial gain on plan assets	890	2,263
Fair value of plan assets at start of 52 week period	19,447	17,426

The actual return on plan assets was a gain of £2,048,000 (2010: £3,281,000 gain).

The Group expects to contribute £552,000 to the defined benefit pension plan in the year ended June 2012.

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

	2011 %	**2010 %**
Property	-	-
Equity	67	68
Bond	33	32
Other	-	-
	100	100

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

	2011	**2010**
	%	**%**
Discount rate	5.4	5.4
Expected rate of return on assets	6.50	6.66
Future salary increase	n/a	n/a
Future pension increase	3.4	3.2
Inflation (RPI) assumption	3.4	3.2

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.

The mortality assumptions for both 2011 and 2010 follow the standard tables S1NMA (males) and S1NFA (females), projected by year of birth using Medium Cohort improvements with a minimum annual improvement of 1%. Assuming retirement at age 65, the life expectancy in years is as follows:

	2011	**2010**
For a male aged 65 now	86.0	86.3
For a female aged 65 now	89.0	89.1

Amounts for the current and previous two periods are as follows:

	2011	**2010**
	£'000	**£'000**
Defined benefit obligation	(21,982)	(23,005)
Plan assets	19,447	17,426
Deficit	(2,535)	(5,579)
Experience gains on plan liabilities	2,254	335
Experience gains on plan assets	890	2,263

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

	2011	**2010**
	£'000	**£'000**
Expected return on pension scheme assets	1,158	1,018
Interest on pension scheme liabilities	(1,227)	(1,129)
Net finance (cost)	(69)	(111)

Net costs recorded within finance costs – see note 6.

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

	2011	**2010**
	£'000	**£'000**
Actual return less expected return on pension scheme assets	890	2,263
Experience gains arising on pension scheme liabilities	2,254	335
Changes in assumptions underlying the present value of the scheme liabilities	(587)	(6,289)
Actuarial loss recognised in other comprehensive income	2,557	(3,691)

The cumulative amount recognised through other comprehensive income is a loss of £3,497,000 (2010: £6,054,000 loss).

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

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value defined benefit obligation	(21,982)	(23,005)	(16,323)	(18,616)	(18,599)
Fair value plan assets	19,447	17,426	13,994	16,341	16,998
Deficit in the scheme	(2,535)	(5,579)	(2,329)	(2,275)	(1,601)
Experience adjustments on plan liabilities	2,254	335	49	203	194

24 Share based payment plans

Company Share Option Plan (CSOP)

Since 2007 the Group has operated 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.

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 to 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 to 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 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. The expected life of the options is not necessarily indicative of exercise patterns that may occur.

On 12 November 2010, in advance of the intended flotation onto the London AIM market, the company obtained clearance from HMRC to cancel all existing options under this scheme and replace them with new options in the event of a successful flotation. Accordingly, 161,203 options to purchase shares at £6.00 were cancelled and replaced with 1,307,515 options to purchase shares at £0.74. The overall value of share options available both individually and in total was unchanged.

LTIP plan

Share options were granted to a number of key executives on flotation of the business onto AIM. This was a one off event, where vesting was conditional solely on successful flotation. A total of 828,064 options were granted, each at an exercise price of £0.01. The options may be exercised at any point between 1 year from flotation date and not later than 10 years from flotation date. The contractual life of each option granted is ten years. There is no cash alternative. The expected life of the options is not necessarily indicative of exercise patterns that may occur.

Given the nature of this item and the resulting charge to income in the period, this is disclosed on the income statement as an exceptional item.

Valuation

The fair value of all options granted has been 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 25 June 2011 and 26 June 2010.

	2011	**2010**
Dividend yield	3.50%	3.50%
Expected share price volatility	52.40%	52.40%
Risk free interest rate	2.50%	3.00%
Expected life of option (years)	3.0	6.5
Option strike price (£)	0.01	6.00
Share price (£)	1.82	10.34

Volatility was calculated by reviewing the average volatility of a number of listed companies with operations within the food or fresh produce sector over a five year period 2005 – 2010. The expected volatility reflects the assumption that the historic average volatility of these various companies may be indicative of future trends for Produce Investments plc. This may not reflect the actual future outcome.

Charges in 2011

The expense recognised for share based payments in respect of employee services rendered during the period ended 25 June 2011 is £1,399k. (2010: £103k). All of this expense arises from equity share based payment transactions. This is split between £1,350k (2010:£Nil) for the LTIP scheme and £49k (2010:£103k) for the CSOP scheme.

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

	CSOP		**LTIP**	
	No	**WAEP**	**No**	**WAEP**
Outstanding at 27 June 2009	**175,600**	**6.00**	**-**	**-**
Granted during year	18,200	6.00	-	-
Expired / cancelled	(32,597)	6.00	-	-
Outstanding at 26 June 2010	**161,203**	**6.00**	**-**	**-**
Cancelled in advance of flotation	(161,203)	6.00	-	-
Replacement issues on flotation	1,307,515	0.74	-	-
Granted during year	-	-	828,064	0.01
Exercised	(95,736)	0.74	-	-
Expired / cancelled	(47,624)	0.74	-	-
Outstanding at 25 June 2011	**1,164,155**	**0.74**	**828,064**	**0.01**
Number of options exercisable at 25 June 2011	888,542	-	Nil	-
Number of options exercisable at 26 June 2010	Nil	-	Nil	Nil

The average weighted share price of options exercised during the year ended 25 June 2011 was £1.70 per share (2010: Nil).

At 25 June 2011, the weighted average remaining contractual life for the CSOP is 6 years 11 months (2010: 7 years 11 months). For the LTIP, the weighted average remaining contractual life is 9 years 3 months (2010: n/a).

Outstanding options at the end of the period are exercisable between £0.01 (LTIP) or £0.74 (CSOP) (2010: CSOP all exercisable at £6.00). The weighted average share price for options exercised in the period was £1.70. No options were exercised in the period ended 26 June 2010.

Change in accounting estimate
As detailed in note 2, all share options granted up to 27 June 2009 were originally accounted for using the intrinsic valuation method permitted by IFRS 2. In the period ended 25 June 2011, these historic options were reassessed using the Black Scholes option pricing model. The change in accounting estimate did not result in a material change in the valuation of the share options, or the charges which would otherwise have been presented. Consequently, no changes to amounts previously recorded in respect of share based payments have been made.

25 Trade and other payables

	2011 £'000	**2010 £'000**
Trade payables	19,953	17,492
Taxes and social security	1,259	1,263
Accruals and deferred income	3,439	2,716
Total trade and other payables	24,651	21,471

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 26.
- For explanations on the Group's credit risk management processes, refer to Note 28.

Trade liabilities are sterling denominated, with the exception of €99,000 (2010:€95,000).

26 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:

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 £191,000 (2010: £352,000) and sales to OPG of £7,000 (2010: £5,000). At the reporting date the Group was owed £Nil by OPG (2010: £Nil).

The trading premises of one of the subsidiaries Swancote Foods Limited are owned by John Davies Farms (Directors Pension Scheme). EL Davies who was a director of Produce Investments Limited is also a beneficiary of this scheme. During the year, the Group paid rent of £150,000 (2010: £150,000). At the reporting date, an amount of £Nil (2010: £Nil) was due to John Davies Farms (Directors Pensions Scheme). EL Davies resigned as director on the 18 November and from this date received emoluments totalling £41,898 paid to Cas Mount (Farm) Ltd.

During the year the Group paid £10,000 (2010: £45,000) to Produce Acquisitions LLP for the services of non executive directors. J Tucholski and M Jankowski who were both directors of Produce Investments plc are also designated members of Produce Acquisitions LLP. J Tucholski resigned as a director of Produce Investments plc on 18 November 2010. There were no amounts outstanding as at 25 June 2011 (2010: £Nil).

A charge of £1,149k relating to share based charges in respect of the flotation for the directors is included as an exceptional item in the consolidated income statement.

Restrain Company Limited is a company which is 70% owned by Produce Investments plc. 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 £91,000 (2010: £102,000) and purchased goods and services from Restrain Company Limited totalling £54,000 (2010: £94,000). At 25 June 2011 Restrain Company Limited owed Greenvale AP Limited £313,000 (2010: £452,000).

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 £239,000 (2010: £273,000). There were no outstanding balances at the period end (2010: £Nil).

27 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 25 June 2011 are as follows:

	2011 £'000	**2010 £'000**
Within one year	1,119	936
After one year but not more than five years	2,087	1,715
Total future minimum rentals payable	3,206	2,651

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. .

Future minimum rentals receivable under non-cancellable operating leases as at 25 June 2011 are as follows:

	2011 £'000	**2010 £'000**
Within one year	95	151
After one year but not more than five years	139	88
More than five years	-	-
Total future minimum rentals payable	**234**	**239**

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:

	2011		**2010**	
	Minimum payments £'000	**Present value of payments £'000**	**Minimum payments £'000**	**Present value of payments £'000**
Within one year	97	87	176	153
After one year but not more than five years	-	-	97	87
Present value of minimum lease payments	97	87	273	240

Capital commitments

At 25 June 2011, the Group had capital commitments of £1,741,000 (2010: £450,000).

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 £13,280,000 (2010: £20,635,000).

28 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**
2011	1%	23
2010	1%	103

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.

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 £ 17,554k (2010: £14,778k) as disclosed in note 17 – 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 summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

52 weeks ended 25 June 2011	**On demand £'000**	**Less 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**>5 years £'000**	**Total £'000**
Interest-bearing loans and borrowings	-	279	912	8,486	3,713	13,390
Trade and other payables	-	24,651	-	-	-	24,651
Deferred tax	-	-	486	2,436	2,271	5,193
Pensions and other post benefits obligations	-	138	414	1,983	-	2,535
Financial derivatives	-	-	-	597	1,040	1,637
Income tax	-	650	649	-	-	1,299
Other liabilities	-	16	95	139	-	250
	-	**25,734**	**2,556**	**13,641**	**7,024**	**48,955**

52 weeks ended 26 June 2010	**On demand £'000**	**Less 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**>5 years £'000**	**Total £'000**
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
	4,755	**22,883**	**8,557**	**14,814**	**11,162**	**62,171**

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 0.80 (2010: 2.19).

29 Principal Group companies

As at the period end, the Group comprises the following holdings:

				% equity interest	
Name	**Country of incorporation**	**Nature of business**	**Class of shares held**	**2011**	**2010**
Greenvale Holdings Limited	UK	Holding company	Ordinary	100	100
Greenvale AP Limited	UK	Buying and selling of potatoes	Ordinary ‘B’ Preference	100	100
Greenvale Growing Limited	UK	Growing potatoes	Ordinary	100	100
Greenvale Foods Limited (ceased trading)	UK	Potato processing	Ordinary	100	100
Greenvale Potato Exports Limited	UK	In liquidation	Ordinary	100	100
Restrain Company Limited	UK	Potato and onion atmosphere regulation	Ordinary	70	70
Swancote Foods Limited (dormant)	UK	Potato processing	Ordinary	100	100
Organic Potato Growers (Scotland) Limited	UK	Growing potatoes	Ordinary	33.3	33.3
BROP s.r.o.	Czech Republic	Potato processing	Ordinary	30	30