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HEYGATE GRAIN LIMITED

FINANCIAL STATEMENTS FOR THE YEAR

ENDED 1ST APRIL, 2006

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HEYGATE GRAIN LIMITED

DIRECTORS	P. M. Heygate A. R. Heygate Mrs. A.E. Tetley
SECRETARY	A. C. Greene
BANKERS	HSBC Bank plc., 3 Wood Hill, Northampton. NN1 2DE
AUDITORS	Clifford Roberts, Chartered Accountants, Pacioli House, 9 Brookfield, Duncan Close, Moulton Park, Northampton. NN3 6WL
REGISTERED OFFICE	Bugbrooke Mills, Bugbrooke, Northampton. NN7 3QH
COMPANY NUMBER	1522607

HEYGATE GRAIN LIMITED

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HEYGATE GRAIN LIMITED

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 1ST APRIL, 2006

OVERVIEW

The company's operations comprise the purchase of UK farmers' and merchants' grain for sale to group companies for processing at the Bugbrooke, Tring and Downham Market sites and for sale to third parties.

The UK food and agricultural industry is a highly competitive market. Margins are extremely low on the merchanting of agricultural produce but the company has remained profitable due to the efficiency of its grain buying department and close control of its distribution and administrative costs.

Business objectives

The company has the main objective of sourcing and providing consistent good quality raw materials, at a competitive price, for animal feed and flour production within the Heygate Group as well as sale to third parties. There are a number of key facts which contribute to this:

1. The skill of the company's grain buyers in sourcing a reliable supply of consistent, quality, raw material at a competitive price.

2. The implementation of cost control initiatives to improve operational efficiency.

The key performance indicators (KPIs) used in monitoring the company's performance are:-

- Organic sales growth - year on year increase in sales revenue, excluding the impact of acquisitions and disposals, if any.
- Gross return on sales - gross profit as a percentage of sales revenue.
- Net return on sales - operating profit before non-recurring items as a percentage of sales revenue.
- Return on net assets - profit on ordinary activities before taxation and before non-recurring items and income from other fixed asset investments as a percentage of net assets.
- Free cashflow - cash generated from operations less tax and net interest paid.

Business strategy

It is the company's overall market strategy to continue to source quality raw material products, bearing in mind the group's anticipated requirements over a period of at least 18 months forward.

Key Performance Indicators (KPIs)

	2006	2005
Organic sales growth	(20)%	6%
Gross return on assets	0.4%	1.5%
Gross return on sales	1.8%	1.8%
Return on net assets	1.8%	6.4%
Cashflow	£0.708m	£4.335m

HEYGATE GRAIN LIMITED

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 1ST APRIL, 2006

FINANCIAL REVIEW

The basis of reporting
The results for the year ended 1st April, 2006 have been prepared according to UK GAAP.

Turnover
The company's turnover for the year was £29.2m (2005 - £36.4m). The reduction in 2006 was due to more efficient buying strategies, coupled with the fact that 2005 was a 53 week period.

Operating profit
Profit before taxation and non-recurring items was £36,663 (2005 - £114.139).

Taxation
The underlying tax rate on profit from ordinary activities was 15.6% (2005 - 4.2%). A reconciliation of the total tax charged to the standard rate of corporation tax in the UK of 30% is set out in note 5 to the financial statements.

Pensions
The company's employees are members of a group pension scheme. The group operates two pension schemes; one a defined benefit and the other a defined contribution. The defined benefit scheme was closed to new members on the 1st October, 2002. From 3rd April, 2005 the group adopted in full the provisions of FRS17, Retirement Benefits, the details of which are contained within the sponsoring company, Heygates Limited, and in the consolidated financial statements of Heygate & Sons Limited and its subsidiary companies.

Balance sheet
The year end net assets of £1.7m (2005 -£1.7m) have not materially changed since the end of the last financial period.

This operating and financial review
was approved by the board on
26th January, 2007
and signed on its behalf by:

Mrs. A.E. Tetley
Chairman

HEYGATE GRAIN LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 1st April, 2006.

PRINCIPAL ACTIVITY
The principal activity of the company continues to be the purchase of U.K. farmers' and merchants' grain for sale to group companies for processing at the Bugbrooke, Tring and Downham Market sites and for sale to third parties.

RESULTS AND DIVIDENDS
The profit on ordinary activities after taxation for the year amounted to £32,626 (2005 - £109,389).
The directors have not recommended a dividend in respect of the year ended 1st April, 2006.

FUTURE DEVELOPMENTS
The company has again traded profitably during the year, but continued pressure in the market place will have the effect of permanently reducing margins capable of being earned in this type of business.

DIRECTORS AND THEIR INTERESTS
The directors in office at the end of the year are listed below:-

A.R. Heygate
P.M. Heygate
Mrs. A.E. Tetley

All served on the board throughout the year.

The directors also held shares in the parent company and in fellow subsidiaries at 1st April, 2006 and 3rd April, 2005, as follows:

At 1st April, 2006 and 3rd April, 2005

	Heygate and Sons Limited					County Pride Products Limited	Heygate Farms Swaffham Limited
	Preference Shares	Ordinary Shares A	B	C	D	Ordinary Shares	
	No.	No.	No.	No.	No.	No.	No.
A.R. Heygate	7,878	6,608	13,528	327,716	-	666	8,716
P.M. Heygate	-	6,608	13,528	-	-	666	8,716
Mrs. A.E. Tetley	-	-	-	678	-	2	2

The directors also held the following shares in the holding company as principal trustees of family trusts at 1st April, 2006 and 3rd April, 2005, as follows :-

	Heygate and Sons Limited				
	Preference Shares	Ordinary Shares A	B	C	D
	No.	No.	No.	No.	No.
A.R. Heygate	-	6,600	120,000	-	7,568
P.M. Heygate	7,872	6,600	58,126	327,716	10,234
Mrs. A.E. Tetley	-	105,670	-	156,000	-

HEYGATE GRAIN LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

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

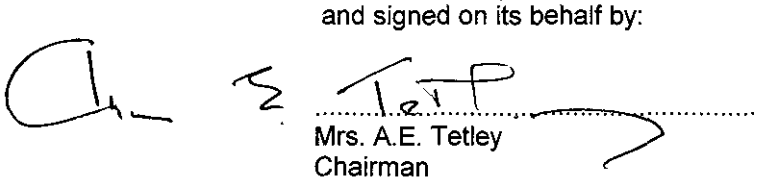
POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no political or charitable contributions during the year or the previous year.

AUDITORS

A resolution in accordance with Section 385 of the Companies Act 1985 to re-appoint Clifford Roberts as auditors will be put to the members at the Annual General Meeting.

This report was approved by the Board
on 26th January, 2007
and signed on its behalf by:



Mrs. A.E. Tetley
Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

HEYGATE GRAIN LIMITED

We have audited the financial statements of Heygate Grain Limited for the year ended 1st April, 2006 which are set out on pages 6 to 13. these financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors
As described in the statement of directors responsibilities, the company's directors' are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and Operating and Financial Review. We consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluate the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1st April, 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- are consistent with the information given on the directors' report for the year ended 1st April, 2006.

Clifford Roberts

CLIFFORD ROBERTS
Chartered Accountants and
Registered Auditors
26th January, 2007

Pacioli House,
9 Brookfield,
Duncan Close,
Moulton Park,
Northampton.
NN3 6WL

HEYGATE GRAIN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 1ST APRIL, 2006

	Note	2006 £	2006 £	2005 £	2005 £
Turnover	2		29,241,449		36,486,200
Cost of sales			(28,702,583)		(35,816,862)
Gross profit			538,866		669,338
Distribution costs		231,588		286,812	
Administrative expenses		268,615		268,387	
			(500,203)		(555,199)
Profit on ordinary activities before taxation	4		38,663		114,139
Tax on profit on ordinary activities	5		(6,037)		(4,750)
Profit on ordinary activities after taxation retained for the financial year			£ 32,626		£ 109,389

Statement of retained profits

Retained profits brought forward	1,605,739	1,496,350
Retained profit for the financial year	32,626	109,389
Retained profits carried forward	£ 1,638,365	£ 1,605,739

Continuing Operations
None of the company's activities were acquired or discontinued during the above two financial years.

Total Recognised Gains and Losses
The company has no recognised gains or losses other than the loss or profit for the above two financial years.

HEYGATE GRAIN LIMITED

BALANCE SHEET AT 1ST APRIL, 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	6		87,469		100,072
Current assets					
Stocks	7	1,605,649		1,856,445	
Debtors	8	386,927		358,506	
Cash at bank		5,471,489		4,763,443	
		7,464,065		6,978,394	
Creditors: amounts falling due within one year	9	(5,802,219)		(5,356,977)	
Net current assets			1,661,846		1,621,417
Total assets less current liabilities			1,749,315		1,721,489
Provision for liabilities and charges					
Deferred taxation	10		(15,000)		(19,800)
Net assets			£ 1,734,315		£ 1,701,689
Capital and reserves					
Called up share capital	11		19,945		19,945
Share premium account			76,005		76,005
Profit and loss account			1,638,365		1,605,739
Shareholders' funds	12		£ 1,734,315		£ 1,701,689

These financial statements were approved by the Board on 26th January, 2007 and were signed on its behalf by:

.....A.R. Heygate)
)
) Directors
)
.....P. M. Heygate)

The notes on pages 8 to 13 form part of these financial statements

HEYGATE GRAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1ST APRIL, 2006

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention on a basis consistent with prior years and in accordance with applicable Accounting Standards in the United Kingdom.

Cashflow statement
The company has taken advantage of the provisions of FRS 1 "cashflow statements", whereby it is exempt from providing a cashflow statement as it is a wholly owned subsidiary.

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:-

Leasehold buildings	:	10% and 3% per annum
Plant and machinery	:	25% and 10% per annum
Computer and office equipment	:	20% and 10% per annum

Stocks
Stocks are stated at the lower of cost and net realisable value and comprise purchases for resale. Purchases for resale are valued at cost price, calculated on a first in first out basis. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Deferred taxation
Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements and has been provided for, on the liability basis, in full. Transfers to and from deferred taxation are calculated at the rate of corporation tax that it is estimated will be in force when the timing differences reverse.

Pension and post employment benefits
In accordance with "FRS 17 - Retirement benefits", the operating and financing costs of pension and post-retirement schemes are recognised separately in the profit and loss account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses.

The disclosures required by the transitional arrangements of FRS 17 "Retirement Benefits" are given in note 17 to the financial statements.

Two of the directors that are not members of the group scheme are members of a small self administered money purchase scheme. The pension cost for the year is the amount paid into the scheme during the accounting period.

2. TURNOVER

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax. Turnover is recognised upon evidence of delivery.

The turnover and pretax profit is wholly attributable to the merchanting and handling of grain within the United Kingdom.

HEYGATE GRAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1ST APRIL, 2006

3. STAFF COSTS

	2006	2005
	£	£
Wages and salaries	73,653	81,340
Social security costs	8,568	10,412
Other pension costs	5,897	3,363
	£ 88,118	£ 95,115

The average number of employees during the year was made up as follows:

	No.	No.
Handling and storage	3	3

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
This is stated after charging:	£	£
Auditors' remuneration	17,535	16,800
Depreciation	12,601	12,978
Rent of buildings	9,500	9,500

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in the period	2006 £	2005 £
Current tax		
UK corporation tax on profits for the period (30%/19%)	10,405	4,750
Payable in respect of prior periods	432	-
Deferred tax movement	(4,800)	-
	£ 6,037	£ 4,750

(b) Factors affecting the tax charge for the period	2006 £	2005 £
The tax assessed is less than the standard rate of corporation tax in the U.K. (30%). The differences are explained below:		
Profit on ordinary activities before tax	38,663	114,139
Profit on ordinary activities multiplied by standard/small companies rate of corporation tax in U.K. (30%/19%)	11,598	21,686
Effects of:		
Depreciation in excess of capital allowances	1,444	760
Profit on disposal of assets	(76)	-
Marginal corporation tax relief	(2,561)	-
Losses brought forward	-	(8,245)
Losses received under group relief	-	(9,451)
Current tax charge for period	£ 10,405	£ 4,750

HEYGATE GRAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1ST APRIL, 2006

6. TANGIBLE FIXED ASSETS

	Short leasehold buildings	Plant and machinery	Total
	£	£	£
Cost:			
At 3rd April, 2005	226,488	576,260	802,748
Disposals	-	(3,321)	(3,321)
At 1st April, 2006	£ 226,488	£ 572,939	£ 799,427
Depreciation:			
At 3rd April, 2005	135,030	567,646	702,676
Charge for the year	8,516	4,085	12,601
Disposals	-	(3,319)	(3,319)
At 1st April, 2006	£ 143,546	£ 568,412	£ 711,958
Net book amount:			
At 1st April, 2006	£ 82,942	£ 4,527	£ 87,469
At 2nd April, 2005	£ 91,458	£ 8,614	£ 100,072

7. STOCKS

	2006	2005
	£	£
Goods for resale	1,605,649	1,856,445

8. DEBTORS

Amounts falling due within one year:

	2006	2005
	£	£
Trade debtors	182,734	242,894
Prepayments	2,237	-
Amounts due from group companies:		
Holding company and fellow subsidiaries	201,956	115,612
	£ 386,927	£ 358,506

9. CREDITORS

Amounts falling due within one year:

	2006	2005
	£	£
Trade creditors	2,522,880	2,691,044
Amounts due to group companies:		
Holding company and fellow subsidiaries	3,268,934	2,662,474
Corporation tax	10,405	3,459
	£ 5,802,219	£ 5,356,977

HEYGATE GRAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1ST APRIL, 2006

10. DEFERRED TAXATION

	2006 £	2005 £
Accelerated capital allowances		
Balance at 3rd April, 2005	19,800	19,800
Transfer to profit and loss account	(4,800)	-
Balance at 1st April, 2006	£ 15,000	£ 19,800

11. SHARE CAPITAL

	Authorised 2006 and 2005 £	Allotted, called up and fully paid 2006 and 2005 £
Equity shares		
Ordinary shares of £1 each	20,000	19,945

12. SHAREHOLDERS' FUNDS

Reconciliation of movements in shareholders' funds:

	2006 £	2005 £
Profit on ordinary activities after taxation	32,626	109,389
Opening shareholders' funds at 3rd April, 2005	1,701,689	1,592,300
Closing shareholders' funds at 1st April, 2006	£ 1,734,315	£ 1,701,689

13. CAPITAL COMMITMENTS

There were no capital commitments at 1st April, 2006 or 2nd April, 2005.

14. OTHER FINANCIAL COMMITMENTS

At 1st April, 2006 the company had minimum annual commitments under non-cancellable operating leases as follows:-

	2006 £	2005 £
Leases in respect of land and buildings which expire:		
After more than five years	9,500	9,500

HEYGATE GRAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 1ST APRIL, 2006

15. CONTINGENT LIABILITIES

There is a contingent liability in respect of a multilateral guarantee dated 4th October, 1991 covering the bank balances of the company, Heygate and Sons Limited and its subsidiaries, as follows:

The Heygate Engineering Company Limited
Fine Lady Bakeries Limited
County Pride Products Limited
Heygate Farms Swaffham Limited
Heygates Limited
Millstream Investments Limited

There is a debenture dated 11th October, 2004 due to HSBC Bank plc over all present freehold and leasehold property, a first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future, and a first floating charge over all assets and undertakings, both present and future.

The maximum amount payable was the net overdraft of the group at 1st April, 2006.

16. ULTIMATE HOLDING COMPANY

The directors consider that the ultimate holding company of this company is its parent company, Heygate and Sons Limited, which is registered in England.

17. PENSION ARRANGEMENTS

The employees of the company, with the exception of the three directors, are members of the Heygate Group Pension and Life Assurance Scheme which provides defined pension and lump sum benefits payable to members on their retirement from the Heygate Group, or to their dependants on death before or after retirement. The scheme is of the defined benefit type for current members, and this scheme is now closed to new members.

For new entrants, the plans will provide defined contribution benefits. The assets of the scheme are held in trustee administered funds separate from the company's assets.

The total pension cost of the company for the year was £5,897 (2005 - £3,363).

The level of contributions to the scheme is assessed in accordance with the advice of an independently qualified actuary and is calculated so as to spread the charge to profit and loss account over the average service periods of current employees in the scheme. The scheme is valued using the projected unit method.

The most recent actuarial valuation was carried out on 1st October, 2005.

As the defined benefit scheme is closed to new entrants, the age profile of active members will increase over time. Under the projected unit method, the current service cost will increase as active members of the scheme approach retirement.

The disclosures required under FRS17 are contained within the financial statements of the sponsoring company of the scheme, Heygates Limited (a wholly owned subsidiary of Heygate and Sons Limited), and in the group financial statements of Heygate and Sons Limited and its subsidiary companies.

18. RELATED PARTY DISCLOSURES

Ultimate controlling party

The directors consider the ultimate controlling party of the company is its parent company, Heygate and Sons Limited, which owns 100% of the voting issued share capital. Heygate and Sons Limited has a controlling nucleus of directors: Mr. A.R. Heygate, Mr. P.M. Heygate and Mrs. A.E. Tetley, who together own 10% of the voting issued ordinary share capital personally and 74.43% of the voting issued ordinary share capital as principal trustees of family trusts.

Mrs. D. Haines, sister of Mr. P.M. Heygate, cousin of Mr. A.R. Heygate and niece of Mrs. A.E. Tetley, although not a director of Heygate and Sons Limited, is a principal trustee of a family trust which owns 15.45% of the remaining voting issued ordinary share capital.

Related party transactions

During the year the company paid rents for land and buildings to Heygate and Sons (Estates), a related entity in which Mr. A.R. Heygate, Mr. P.M. Heygate, Mrs. A.E. Tetley and Mrs. D. Haines are the participators, in the sum of £9,500 (2005 - £9,500). All rentals charged to the company were on an arm's length commercial basis.

During the year the company purchased grain from Heygate and Sons (Farmers), a partnership in which Mr. A.R. Heygate, Mr. P.M. Heygate, Mrs. A.E. Tetley and Mrs. D. Haines are the partners, in the sum of £250,480 (2005 - £600,928). The company also purchased administration services from a wholly owned subsidiary in the sum of £169,921 (2005 - £163,905). These transactions were undertaken at arm's length on normal commercial terms.

Balances due to/from related parties

At 1st April, 2006 there were the following balances outstanding with other group companies:

Included in debtors: amounts falling due within one year:

	2006 £	2005 £
Due from holding company	201,956	115,612

At 1st April, 2006 there were the following balances owing to group companies and other related entities:

Included in creditors: amounts falling due within one year:

	2006 £	2005 £
Due to holding company	48,220	53,474
Due to fellow subsidiaries	3,220,714	2,609,000