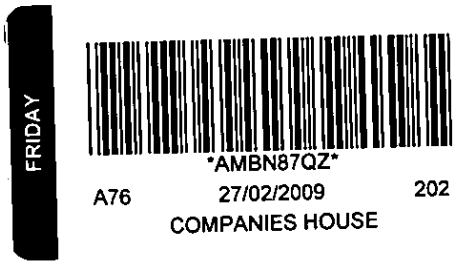
SILVERY TWEED CEREALS LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2008



Company Registration Number 3934026

Tenon Limited
Accountants and Business Advisers
Tenon House
Ferryboat Lane
Sunderland
SR5 3JN

SILVERY TWEED CEREALS LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 30 APRIL 2008

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SILVERY TWEED CEREALS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2008

The directors present their report and the financial statements of the company for the year ended 30 April 2008.

Principal activities and business review

The principal activity of the company during the year was milling, blending and coating food ingredients.

Trading in contracted blending and milling ingredients was at a high level with output at Tweedside Mill and Henry Ogle Mill exceeding last year. The replacement of the Coating division was completed in November 2006 and is showing positive success with output exceeding previous years. This year the company earned a profit after tax of £185,880. The aggregate capital and reserves of the Company at the end of the financial period were £1,030,322.

Robert Dickinson retired as managing Director on the 31st December 2007.

Results and dividends

The profit for the year, after taxation, amounted to £185,880. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and where necessary to fund its operating cash requirements, through use of a bank overdraft. The management's objectives are to:

a) retain sufficient liquid funds to enable the company to meet its day to day obligations as they fall due whilst maximising returns on surplus funds; and

b) minimise the company's exposure to fluctuating interest rates when seeking borrowings;

All of the company's surplus funds are invested in sterling bank accounts and all of its borrowings are obtained from standard bank overdrafts so there is no price risk. All banking arrangements are with Bank of Scotland and the directors believe their choice of bank minimises any credit risk.

Research and development

On going New Product Development across all product ranges of the business continued especially in the coating of the cereal flakes, clusters and fibres.

Directors

The directors who served the company during the year were as follows:

Mr R C Dickinson
Mr N J Davidson
Mr R S Gladstone
Mrs N Muldoon
Mr M Topley
Mr S Van Dalsem
Mr A Hamer

Mr A Hamer was appointed as a director on 17 September 2007.

Mr R C Dickinson resigned as a director on 31 December 2007.
Mrs N Muldoon resigned as a director on 13 June 2008.

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Donations

During the year the company made the following contributions:

	2008	*2007*
	£	£
Charitable	1,117	946

Auditor

A resolution to re-appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

Mr N J Davidson
Director

Approved by the directors on 19th February 2009

SILVERY TWEED CEREALS LIMITED

INDEPENDENT AUDITOR'S REPORT TO SILVERY TWEED CEREALS LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 5 to 15, together with the financial statements of Silvery Tweed Cereals Limited for the year ended 30 April 2008 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditor

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
Tenon House
Ferryboat Lane
Sunderland
SR5 3JN

23 February 2009

SILVERY TWEED CEREALS LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2008

	Note	2008 £	2007 £
Gross profit		3,153,955	*2,565,166*
Distribution costs		(1,266,460)	*(1,018,818)*
Administrative expenses		(1,604,824)	*(1,100,773)*
Profit on ordinary activities before taxation		282,671	*445,575*
Tax on profit on ordinary activities	5	(96,791)	*(2,808)*
Profit for the financial year		185,880	*442,767*

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on page 5 form part of these abbreviated accounts.

SILVERY TWEED CEREALS LIMITED

ABBREVIATED BALANCE SHEET

30 APRIL 2008

	Note	2008 £	£	2007 £	£
Fixed assets					
Intangible assets	6		300,000		–
Current assets					
Stocks	7	1,966,367		1,245,123	
Debtors	8	2,968,358		1,926,540	
Cash in hand		577		455	
		4,935,302		3,172,118	
Creditors: Amounts falling due within one year	10	(4,204,980)		(2,327,676)	
Net current assets			730,322		844,442
Total assets less current liabilities			1,030,322		844,442
Capital and reserves					
Called-up share capital	14		1		1
Profit and loss account	15		1,030,321		844,441
Shareholders' funds	16		1,030,322		844,442

These abbreviated accounts have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors and authorised for issue on 19.02.2009, and are signed on their behalf by:

Mr R S Gladstone
Managing Director

The notes on page 6 form part of these abbreviated accounts.

SILVERY TWEED CEREALS LIMITED

CASH FLOW STATEMENT

YEAR ENDED 30 APRIL 2008

	Note	2008 £	£	2007 £	£
Net cash inflow from operating activities	17		544,335		*28*
Taxation			(30,329)		–
Capital expenditure					
Payments to acquire intangible fixed assets		(513,884)		–	
Net cash outflow from capital expenditure			(513,884)		–
Increase in cash	17		122		*28*

The notes on page 7 form part of these abbreviated accounts.

1. **Accounting policies**

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

Turnover shown within the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax and is recognised upon despatch of goods.

Research and development expenditure

Expenditure on pure and applied research is charged to the profit and loss account during the year in which it is incurred.

Development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortisation is charged from commencement of full commercial production over the lesser of the life of the project or three years.

Development expenditure is reviewed on a regular basis for impairment, and provisions are made to write down the carrying value to the recoverable amount where performance has not been deemed by the directors to meet pre-acquisition expectations.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Development expenditure - lesser of the life of the project or three years

Stocks

Stocks of raw materials and consumables are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is purchase cost on a first-in, first-out basis. Net realisable value is the estimated proceeds from the sale of items of stock less all further costs to completion.

Stocks of finished goods

Stocks of finished goods are valued at net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is cost of direct materials plus attributable labour based on a normal level of activity, plus an agreed fixed charge mark up.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

1. **Accounting policies** *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. **Operating profit**

Operating profit is stated after charging:

	2008	*2007*
	£	£
Impairment of intangible fixed assets	213,884	–
Auditors remuneration	7,035	*6,700*

3. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2008 No	2007 No
Number of production staff	68	64
Number of distribution staff	2	2
Number of administrative staff	12	13
	82	79

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	1,527,026	1,315,389
Social security costs	140,681	122,201
Other pension costs	16,740	15,595
	1,684,447	1,453,185

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2008 £	2007 £
Emoluments receivable	224,415	214,574
Value of company pension contributions to money purchase schemes	10,990	10,810
	235,405	225,384

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	48,583	37,000
Value of company pension contributions to money purchase schemes	–	10,000
	48,583	47,000

The number of directors on whose behalf the company made pension contributions was as follows:

	2008 No	2007 No
Money purchase schemes	2	2

5. Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £	*2007 £*
In respect of the year:		
UK Corporation tax	55,238	*4,870*
Over/under provision in prior year	41,976	-
	97,214	*4,870*
Deferred tax:		
Origination and reversal of timing differences	(423)	*(2,062)*
Tax on profit on ordinary activities	96,791	*2,808*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 29.84% (2007 - 19%).

	2008 £	*2007 £*
Profit on ordinary activities before taxation	282,671	*445,575*
Profit on ordinary activities by rate of tax	84,349	*84,659*
Effects of:		
Expenses not deductible for tax purposes	7,907	-
Capital allowances for period in excess of depreciation	(429)	*(1,198)*
Utilisation of tax losses	-	*(26,760)*
Adjustments to tax charge in respect of previous periods	41,976	-
Group relief claimed	(23,855)	*(51,831)*
Marginal rate relief	(12,734)	-
Total current tax (note 5(a))	97,214	*4,870*

6. Intangible fixed assets

	Development expenditure £
Cost	
Additions	513,884
At 30 April 2008	513,884
Amortisation	
Impairment provision	213,884
At 30 April 2008	213,884
Net book value	
At 30 April 2008	300,000
At 30 April 2007	–

7. Stocks

	2008 £	2007 £
Stock	1,966,367	*1,245,123*

8. Debtors

	2008 £	2007 £
Trade debtors	2,681,032	*1,590,744*
Amounts owed by group undertakings	–	*211,324*
Amounts due from participating interests	–	*218*
VAT recoverable	95,330	*84,456*
Other debtors	135,721	*3,269*
Prepayments and accrued income	53,790	*34,467*
Deferred taxation (note 9)	2,485	*2,062*
	2,968,358	*1,926,540*

9. Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2008 £	2007 £
Included in debtors (note 8)	2,485	*2,062*

The movement in the deferred taxation account during the year was:

	2008 £	2007 £
At 1 May 2007	2,062	-
Profit and loss account movement arising during the year	423	*2,062*
At 30 April 2008	2,485	*2,062*

9. Deferred taxation *(continued)*

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2008	*2007*
	£	*£*
Excess of depreciation over taxation allowances	2,485	*2,062*
	2,485	*2,062*

10. Creditors: Amounts falling due within one year

	2008	*2007*
	£	*£*
Trade creditors	3,718,127	*2,062,224*
Amounts owed to group undertakings	274,418	*–*
Corporation tax	71,755	*4,870*
Other taxation and social security	45,072	*33,336*
Accruals and deferred income	95,608	*227,246*
	4,204,980	*2,327,676*

11. Derivatives

The company has no financial instruments that are classed as derivatives.

12. Commitments under operating leases

At 30 April 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	Other 2008	*Other 2007*
	£	*£*
Operating leases which expire:		
Within 2 to 5 years	696	-
After more than 5 years	30,835	-
	31,531	-

13. Related party transactions

During the year, the company paid management charges of £700,000 (2007 - £571,000) to H O Short & Son Limited. During the year the company acquired the capitalised development costs incurred by H O Short & Son Limited for a consideration of £528,924 of which £513,884 was capitalised. At the balance sheet date, the company owed £274,418 to H O Short & Son Limited (2007 - £211,324)

During the year, the company made sales of £nil (2007 - £23,870) to its fellow group company, Cereal Foods (USA) LLC, the balance outstanding as at the year end was £nil (2007 - £NIL).

During the year, the company made sales of £nil (2007 - £13,854) to its fellow group company, Hi-Sol Limited. At the balance sheet date, the company was owed £nil (2007 - £218) by Hi-Sol Limited. The investment in Hi-Sol Limited was disposed of in the year by the company's parent H O Short & Son Limited.

14. Share capital

Authorised share capital:

	2008 £	2007 £
100,000 Ordinary shares of £1 each	100,000	100,000

Allotted, called up and fully paid:

	2008 No	2008 £	2007 No	2007 £
Ordinary shares of £1 each	1	1	1	1

15. Profit and loss account

	2008 £	2007 £
Balance brought forward	844,441	401,674
Profit for the financial year	185,880	442,767
Balance carried forward	1,030,321	844,441

16. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	185,880	442,767
Opening shareholders' funds	844,442	401,675
Closing shareholders' funds	1,030,322	844,442

17. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2008 £	2007 £
Operating profit	282,671	445,575
Impairment of intangible fixed assets	213,884	–
Increase in stocks	(721,244)	(308,765)
(Increase)/decrease in debtors	(1,041,395)	473,873
Increase/(decrease) in creditors	1,810,419	(610,655)
Net cash inflow from operating activities	544,335	28

17. Notes to the statement of cash flows *(continued)*

Reconciliation of net cash flow to movement in net funds

	2008 £	*2007 £*
Increase in cash in the period	122	*28*
Movement in net funds in the period	122	*28*
Net funds at 1 May 2007	455	*427*
Net funds at 30 April 2008	577	*455*

Analysis of changes in net funds

	At 1 May 2007 £	Cash flows £	At 30 April 2008 £
Net cash:			
Cash in hand and at bank	455	122	577
Net funds	455	122	577

18. Ultimate parent company and controlling party

The ultimate parent company is H O Short & Son Limited, a company incorporated in the United Kingdom.

In the opinion of the Directors H O Short & Son Limited is not controlled by any single party.