

For the year ended 31 MARCH 2009

INTRODUCTION

Overview

This past year has been one of consolidation for the group in light of the exceptional economic and adverse market conditions, impossible to predict at this time last year. Inevitably these conditions have affected our trading performance over the last year.

We have focused on reinforcing our position as a specialist food company with a broad spread of customers and suppliers and we have striven to maintain our market share against the extremes of this downturn. Our strategy for the challenging year ahead is to remain resilient, uphold our market pre-eminence and prepare for improved trading conditions in the future.

Results

The recession has made conditions especially challenging during the year due to reduced consumer spending, pressure on prices and margins, increasing cost of imports, currency changes, and customers rationalising and reducing lines. The organic sector representing 40% of our trade has experienced greater pressure as some consumers convert to standard products to save costs. Despite this we continue to benefit from excellent relations with our customers and suppliers and we have strengthened our management team to include an operations board.

Turnover for the year has increased to £51.7m from £49.4m in the previous year. Considering the numerous difficulties experienced by the sector there has been a relatively small reduction in the gross profit margin from 13.6% to 11.9%.

During the year we have taken several measures to prepare the business for the future. Day + One Limited, acquired in April 2008, is being integrated into the business and is providing the company with additional accredited packing facilities and resources for new ventures in the future.

Various cost reduction measures are taking place including improved stock management which are aimed to drive down costs in the future. Following a full review of operating processes we have invested in an updated IT system to provide improved operating efficiencies and stronger financial controls. Close attention has been given to stock levels with a significant reduction by the end of 2009 to improve working capital and to stand the group in a strong cash position.

These measures have given rise to additional operating costs in 2009 which have adversely affected the operating margins contributing to an operating loss of £307k in comparison to an operating profit of £1.8m in 2008. This is mainly due to the additional staff costs associated with the integration of Day + One, contributions to the pension fund and the short term costs of implementing the new operating systems and cost saving measures. In addition, the Board considers it prudent to impair the goodwill on acquisition of Day + One at the start of the year in light of the difficult trading year.

The directors have decided not to declare a dividend.

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Pension Fund

As one of the participating employers of the Milk Pension Fund from our previous milk trading business, the future contributions to the Fund remain a major concern as the value of the Fund's assets has reduced with the downturn in the stock market. The current economic climate has severely affected the pension scheme's deficit and as such the group's share of the liability. The Board remain alert to the implications of the pension fund liabilities.

Your Board

I would like to thank my fellow directors for their commitment and support with the challenges encountered during the past year.

As part of the cost reduction measures, the number of directors on the Board has been reduced to five, as from 1 April 2009. My thanks go to the resigning directors, Malcolm Groat and Tim Powell, for their dedicated service to the Board during their periods of office. Tim remains on the Board of Community Foods Limited as its Brands Director.

Staff

The management team has responded positively to the difficult trading conditions and pressures from the marketplace. We welcome all the staff that have joined us including those through the acquisition of Day + One. I would like to thank all staff for their hard work and support for the many changes that have taken place in the last year.

The Future

Looking to the future, we will continue to consolidate and develop the group's core business in the healthy eating and ethical market sectors. The Board expects to improve operating margins following the cost reducing measures implemented in the second half of the year. Through the various measures that are being taken we remain cautiously optimistic about the long term outlook for the business and its ability to respond as the recession subsides.

Roger Evans OBE
Chairman
1 July 2009