

The directors present their report together with the audited financial statements for the year ended 31 March 2009.

Principal activity

The principal activity in the year under review continued to be that of merchanting food products for retail and manufacture.

Business review

The loss for the year after taxation amounted to £918,444 (2008: £1,172,573 profit). The directors are not recommending the payment of a dividend.

As indicators of performance, revenue in Sterling terms increased by 4.7% (2008: 4.4%) and with the challenging market conditions, a gross margin of 11.9% (2008: 13.6%) was achieved.

The principal trading subsidiary, Community Foods Limited (CFL), continued to face tough market conditions during the year, particularly as a result of the weakness of Sterling and world food shortages and consequent increased prices.

Key performance indicators for CFL were:

	31 March 2009	1 April 2008
Debt cover	7.5	1.5
This divides borrowings by EBITDA (earnings before exceptional costs, interest, tax, depreciation and amortisation).		
Interest cover	2.1	23.4
This divides EBITDA by net interest paid		

The company continues to enjoy a strong asset base and relatively low gearing. Our strenuous efforts to reduce working capital have resulted in significantly lower levels of stock holding.

The directors believe that the company, as one of the leaders in the organic and wholefood sectors, continues to be strategically placed to take advantage of consumer interest in healthy eating. Opportunities to expand sales of existing products and develop new products are being pursued in the context of maintaining reasonable margins.

At the start of the year, in order to increase our packing capacity, we purchased a company that has enabled us to have a BRC grade A accredited facility. Unfortunately, due to the subsequent economic turmoil in which we operate, this new subsidiary made a modest loss during the year. The business is now trading profitably but it has been necessary to recognise an impairment charge this year.

Issue of shares

As detailed in Note 11, on 1 April 2008 the company issued 50,000 ordinary shares of £1 each as part of the consideration for acquiring Day + One Limited.

Policy on the payment of creditors

It is the group's policy to pay suppliers in accordance with agreed terms and conditions. At 31 March 2009 the group had an average of 18 days (2008: 34 days) purchases outstanding in trade creditors.

Directors

The following directors served on the Board throughout the year:

D R Evans
J Gibson
M J M Groat (resigned 31 March 2009)
W B Henry
D G Lewis
T J Powell (resigned 31 March 2009)
P J Woodhams

Financial risk management objectives and policies

The group uses various financial instruments to manage working capital which include cash, trade debtors and trade creditors that arise directly from its operations. The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

The main risks arising from the group's financial instruments are currency risk, credit risk and liquidity and cash flow risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

The group is exposed to translation and transaction foreign exchange risk.

Approximately 38% of the group's purchases of stock are transacted in US dollars. The group enters into forward exchange contracts with its bankers in order to protect the business against adverse currency movements in both £/USD and other currency pairings.

The group's financial liabilities in currencies other than sterling at 31 March 2009 amounted to £657,170 (2008: £2,097,000). Foreign exchange differences on retranslation of these liabilities are taken to the profit and loss account.

Credit risk

The group's principal financial assets are trade debtors. In order to manage this element of credit risk the management set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity and cash flow risk

The group seeks to manage liquidity and cash flow risk by arranging sufficient bank borrowing and debt factor facilities, thus ensuring sufficient liquidity is available to meet foreseeable needs. Cash assets are invested safely and profitably.

The group's policy throughout the year has been to achieve this objective through management's day to day involvement in business decisions.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (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 affairs of the company and of the group and of the profit or loss of the group 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;
- state whether applicable United Kingdom 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 group will continue in business.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

John Sherwood
Secretary
1 July 2009