

**BFS Group Limited**

**Directors' report and financial  
statements**

**Registered number 239718**

**30 June 2003**



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## **Directors and company information**

### **Directors:**

#### ***Executive:***

FJ Barnes  
I Crawford  
A Fisher  
A Kemp  
R O'Keefe  
A Selley  
P Weir

#### ***Non executive:***

B Joffe (Chairman)  
CH Kretzmann  
DK Rosevear

### **Secretary**

P Weir

### **Registered Office**

Buckingham Court  
Kingsmead Business Park  
London Road  
High Wycombe  
Buckinghamshire  
HP11 1JU

### **Auditors**

KPMG LLP  
St James' Square  
Manchester  
M2 6DS

### **Bankers**

HSBC Bank plc  
8 Canada Square  
London  
E14 5XL

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

### Results and Dividends

The results for the year are set out on page 6. The operating profit for the period was £31,258,000 (2002: £23,486,000). An interim dividend of £15,000,000 (2002: £10,000,000) was paid during the year. No final dividend is proposed. On 11 August 2003, an interim dividend of £15,000,000 was declared in respect of the year ending 30 June 2004, and it was paid on 2 October 2003.

### Principal activities, trading review and future developments

The principal activity of the Company is the sale and distribution of food and non-food products to the catering trade.

The company enjoyed a satisfactory year. The increased operating profit was due to a combination of sales growth, which was spread across most customer sectors, and product buying price improvements. These favourable factors offset continued overhead cost pressures, particularly employee and insurance related costs.

On 26 January 2004, the company acquired the assets and liabilities of two fellow subsidiaries, HM Group Limited and Swithenbank Foods Limited. The businesses were acquired at market value.

### Tangible fixed assets

Movements in tangible fixed assets are set out in note 10 of the accounts.

### Employment of disabled persons

It is the policy of the Company to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled persons.

### Information to employees

Appropriate action has been taken to develop arrangements aimed at providing Company employees with information on matters of concern to them, consulting with employees or their representatives, encouraging their involvement in the Company's performance, and achieving an awareness on the part of employees of the financial and economic factors affecting the Company's performance.

### Directors

The directors of the Company during the year were:

B Joffe  
CH Kretzmann  
DK Rosevear  
FJ Barnes  
I Crawford  
A Fisher  
A Kemp  
R O'Keefe  
A Selley  
P Weir

## Directors' report (continued)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or its immediate parent undertaking.

The directors who held office at the end of the financial year had, according to the register of directors' interests, the following changes in interests in the shares of Bidvest plc, an intermediate parent company.

	Share options Granted during the year	Share options Exercised during the year
FJ Barnes	120,000	150,000
I Crawford	100,000	-
A Fisher	100,000	-
A Kemp	100,000	-
R O'Keefe	100,000	-
A Selley	100,000	93,750
P Weir	100,000	-

There are no further disclosable interests in the shares of Bidvest plc.

The interests of B Joffe, CH Kretzmann and DK Rosevear in the ultimate parent undertaking, The Bidvest Group Limited, are disclosed in the Directors' Report of that company. None of the other directors who held office at the end of the financial year were granted any rights to subscribe for shares in the ultimate parent company, The Bidvest Group Limited, nor did they exercise any existing rights.

### Creditor payments

The Company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to its suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The trade creditors at the year end represented 50 days of average daily purchases for the year.

### Political and charitable contributions

The group made no political contributions during the period. Donations to UK charities amounted to £14,232 (2002: £12,160).

### Directors and officers liability insurance

During the year, the company maintained liability insurance for its directors and officers.

### Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

*Peter Weir*

**P Weir**  
Company Secretary

Buckingham Court  
Kingsmead Business Park  
London Road  
High Wycombe  
Buckinghamshire, HP11 1JU

## Statement of directors' responsibilities

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 profit or loss for that period. In preparing those 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom

## Report of the independent auditor to the members of BFS Group Limited

We have audited the financial statements on pages 6 to 17.

This report is made solely to the company's members, 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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 directors 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 evaluated 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 of the state of the company's affairs as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

25/2/04

KPMG LLP  
Chartered Accountants  
Registered Auditor

**Profit and loss account**  
*for the year ended 30 June 2003*

	<i>Note</i>	<b>Year ended 30 June 2003</b>	Year ended 30 June 2002
		<b>£000</b>	£000
<b>Turnover</b>	2	<b>751,452</b>	710,758
Cost of sales		<b>(561,071)</b>	(541,056)
<b>Gross profit</b>		<b>190,381</b>	169,702
Distribution costs		<b>(122,443)</b>	(114,162)
Administration costs		<b>(36,680)</b>	(32,054)
<b>Operating profit</b>	3	<b>31,258</b>	23,486
Interest receivable	4	<b>1,471</b>	1,676
Interest payable and similar charges	5	<b>(1,811)</b>	(1,915)
<b>Profit on ordinary activities before taxation</b>		<b>30,918</b>	23,247
Tax on profit on ordinary activities	8	<b>(10,362)</b>	(7,853)
<b>Profit on ordinary activities after taxation</b>		<b>20,556</b>	15,394
Dividends	9	<b>(15,000)</b>	(10,000)
<b>Retained profit for the financial year</b>	17	<b>5,556</b>	5,394

There were no recognised gains or losses in either year other than the profit for the financial year. All turnover and operating profit is generated from continuing activities.



**Balance sheet**  
*at 30 June 2003*

	Note	2003 £000	As restated (note 12) 2002 £000	£000
<b>Fixed assets</b>				
Tangible assets	10	41,507	37,490	
			41,507	37,490
<b>Current assets</b>				
Stocks	11	30,467	28,628	
Debtors	12	89,511	76,360	
Cash at bank and in hand		49,693	49,823	
		169,671	154,811	
<b>Creditors: amounts falling due within one year</b>	13	(111,878)	(100,228)	
<b>Net current assets :</b>				
Due within one year		44,387	41,182	
Debtors due after more than one year	12	13,406	13,401	
		57,793		54,583
<b>Total assets less current liabilities</b>		99,300		92,073
<b>Creditors: amounts falling due after more than one year</b>	14	(30,228)	(30,228)	
<b>Provisions for liabilities and charges</b>	15	(4,250)	(2,579)	
<b>Net assets</b>		64,822		59,266
<b>Capital and reserves</b>				
Called up share capital	16	30,000		30,000
Share premium account	17	11,843		11,843
Profit and loss account	17	22,979		17,423
<b>Equity shareholders' funds</b>	17	64,822		59,266

These financial statements were approved by the board of directors on 25 February 2004 and were signed on its behalf by:

  
FJ Barnes  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### *Basis of preparation*

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

#### *Cash flow statement*

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company's cash flows in its own published consolidated financial statements.

#### *Related party transactions*

As the company is a wholly owned subsidiary of Bidvest (UK) Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bidvest (UK) Limited, within which the company is included, can be obtained from the address given in note 21.

#### *Tangible fixed assets*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land	-	Not depreciated
Freehold building	-	Fifty years
Long leasehold properties	-	Fifty years
Short leasehold properties	-	The period of the lease
Plant, machinery and vehicles	-	Three to ten years

#### *Operating leases*

Operating lease and hire costs are charged directly to the profit and loss account on a straight line basis over the term of the lease.

#### *Post-retirement benefits*

Bidvest (UK) Limited operates a defined contribution pension scheme, for which BFS Group Ltd is a participating employer. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Deferred tax*

In accordance with FRS 19, deferred tax is provided in full where a taxation liability will arise as a result of transactions or events which have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Provision is made at the rates expected to be applicable when the liabilities or assets are likely to crystallise.

### 2 Turnover

Turnover, which excludes value added tax, represents the amounts invoiced to customers for goods sold and services supplied during the year in respect of the sale and distribution of food and non-food products to the catering trade, less credits for returns. All turnover derives from one class of business and is based in the United Kingdom, with the exception of the MoD business which is also conducted in Europe (including UK) and other overseas countries. The overseas turnover for the period for this business amounted to £23,849,000 (2002: £23,358,000).

### 3 Operating profit

	2003 £000	2002 £000
<i>Operating profit is stated after charging:</i>		
Depreciation:		
Owned assets	8,589	8,064
Leased assets	444	661
Amortisation of goodwill	-	546
Impairment of fixed assets		
Owned assets	766	-
Leased assets	363	-
Operating lease and hire charges:		
Land and buildings	4,406	4,081
Other	2,967	2,453
Auditors' remuneration		
Audit	70	54
Other	46	45
Loss on disposal of tangible fixed assets	64	4
	<hr/>	<hr/>

### 4 Interest receivable

	2003 £000	2002 £000
Bank interest	1,451	1,439
Group interest	-	235
Other interest	20	2
	<hr/>	<hr/>
	1,471	1,676
	<hr/>	<hr/>

**Notes (continued)**

**5 Interest payable and similar charges**

	2003 £000	2002 £000
Group interest	1,628	1,754
Other interest	39	17
Unwinding of discount on redundant property provision (note 15)	144	144
	<u>1,811</u>	<u>1,915</u>

**6 Directors' remuneration**

	2003 £000	2002 £000
Remuneration	1,392	1,429
Compensation for loss of office	-	143
Company contributions to money purchase pension scheme	47	55
Total	<u>1,439</u>	<u>1,627</u>
Less: amounts recharged to fellow subsidiary undertakings of Bidvest (UK) Limited	<u>(360)</u>	<u>(393)</u>
	<u>1,079</u>	<u>1,234</u>
Remuneration includes:		
Highest paid director	<u>319</u>	<u>255</u>

Company pension contributions of £12,000 (2002: £11,000) were made to a money purchase scheme on behalf of the highest paid director.

At the end of the year, 7 directors (2002: 7) were accruing retirement benefits under a money purchase scheme.

## Notes (continued)

### 7 Employees

The average number of persons employed by the company during the period, analysed by category, was as follows:

	Number of employees	
	2003	2002
Management	825	749
Distribution	2,309	2,096
Sales	774	703
	<hr/>	<hr/>
	3,908	3,548
	<hr/>	<hr/>

The aggregate employment costs during the period were as follows:

	2003	2002
	£000	£000
Wages and salaries	79,125	71,160
Social security costs	7,258	6,376
Other pension costs (Note 18)	1,461	1,319
	<hr/>	<hr/>
	87,844	78,855
	<hr/>	<hr/>

## Notes (continued)

### 8 Taxation

#### a) Analysis of charge in the year

	2003		2002
	£000	£000	£000
UK corporation tax at 30% (2002: 30%) on profits for the year	9,750		7,597
Adjustments in respect of prior years	921		(80)
	<hr/>		<hr/>
Total current tax		10,671	7,517
Deferred tax (see note 15):			
Origination and reversal of timing differences	170		(148)
Adjustments in respect of prior years	(479)		484
	<hr/>		<hr/>
		(309)	336
		<hr/>	<hr/>
Tax on profit on ordinary activities		10,362	7,853
		<hr/>	<hr/>

#### b) Factors affecting the tax charge for the current period

The effective rate of tax for the year is greater than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2003	2002
	£000	£000
Profit on ordinary activities before taxation	30,918	23,247
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	9,275	6,974
Effects of:		
Expenses not deductible for tax purposes	167	311
Depreciation for the year in excess of capital allowances	(60)	144
Other timing differences	(110)	4
Ineligible depreciation	478	164
Adjustments to tax charge in respect of previous years	921	(80)
	<hr/>	<hr/>
Total current tax charge (see note 8a above)	10,671	7,517
	<hr/>	<hr/>

#### c) Factors that may affect future tax charges

The company expects its effective tax rate in future years to exceed the standard rate of corporation tax in the UK due principally to depreciation charged on assets not eligible for capital allowances and permanently disallowable expenditure.

## Notes (continued)

### 9 Dividends

	2003 £000	2002 £000
Interim – paid at 5.00p per share (2002: 3.33p per share)	15,000	10,000

### 10 Tangible fixed assets

	Land and freehold Properties	Long leasehold Properties	Short leasehold properties	Plant machinery and vehicles	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At beginning of year	6,937	1,226	5,950	76,182	1,081	91,376
Additions	522	56	-	3,120	11,334	15,032
Reclassification	1,262	1,396	(4)	6,428	(9,072)	10
Inter Group Transfers	-	-	-	-	(789)	(789)
Disposals	-	(19)	-	(3,025)	-	(3,044)
At end of year	8,721	2,659	5,946	82,705	2,554	102,585
<b>Depreciation</b>						
At beginning of year	1,515	311	3,984	48,076	-	53,886
Charge for year	134	118	326	8,455	-	9,033
Reclassifications	(44)	295	2	(243)	-	10
Disposals	-	(4)	-	(2,976)	-	(2,980)
Impairment losses	501	237	126	265	-	1,129
At end of year	2,106	957	4,438	53,577	-	61,078
<b>Net book value</b>						
At 30 June 2003	6,615	1,702	1,508	29,128	2,554	41,507
At 30 June 2002	5,422	915	1,966	28,106	1,081	37,490

The amount on which depreciation of freehold properties and long leasehold properties is based is £9,171,000 (2002: £5,947,000).

**Notes (continued)**

**11 Stocks**

	2003 £000	2002 £000
Raw materials and consumables	446	439
Goods for resale	30,021	28,189
	<u>30,467</u>	<u>28,628</u>

**12 Debtors**

	2003 £000	As restated 2002 £000
Trade debtors	69,651	58,541
Prepayments and accrued income	2,470	2,240
Other debtors	714	902
Amounts owed by immediate parent company	13,406	13,401
Amounts owed by fellow subsidiary undertakings	3,270	1,276
	<u>89,511</u>	<u>76,360</u>

Amounts owed by the immediate parent company fall due after more than one year.

Accruals of £1,523,000 were incorrectly included within 'prepayments and accrued income' in 2002. The prior year numbers have therefore been restated accordingly. There is no profit impact as a result of this restatement.

**13 Creditors: amounts falling due within one year**

	2003 £000	As restated 2002 £000
Trade creditors	76,456	70,764
Corporation tax	6,954	5,240
Other taxation and social security	2,229	2,229
Accruals and deferred income	26,087	21,835
Amounts owed to immediate parent company	152	160
	<u>111,878</u>	<u>100,228</u>

Accruals of £1,523,000 were incorrectly included within 'prepayments and accrued income' in 2002. The prior year numbers have therefore been restated accordingly. There is no profit impact as a result of this restatement.



## Notes (continued)

### 14 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Amounts owed to immediate parent company	30,228	30,228

### 15 Provisions for liabilities and charges

	Self insurance £000	Redundant properties £000	Deferred taxation £000	Total £000
At beginning of year	-	1,402	1,177	2,579
Provided during the year	1,469	800	(309)	1,960
Utilised during the year	-	(433)	-	(433)
Unwinding of discount	-	144	-	144
At end of year	1,469	1,913	868	4,250

The provision for Self Insurance relates to the programmes the company operates for certain classes of insurance, whereby the company bears the cost of all claims up to an agreed aggregate limit. There is a degree of uncertainty as to when the claims will be settled and the provision is therefore calculated using management's expertise and experience, together with its best estimates of liabilities arising.

The provision for redundant properties relates to rental shortfalls and dilapidation provisions on certain leased properties that are no longer used by the company in its main trading activity. It is envisaged that the provision will be utilised in full by 2016, with the bulk being utilised by December 2006. The major area of uncertainty in the calculation of the provision relates to the dilapidation liabilities at the conclusion of the leases.

Deferred taxation is provided for in full, the elements are as follows:

	2003 £000	2002 £000
Accelerated capital allowances	1,381	1,431
Other timing differences	(513)	(254)
	868	1,177

### 16 Share capital

	2003 £000	2002 £000
<i>Authorised</i>		
1,000,000,000 ordinary shares of 10p each	100,000	100,000
<i>Allotted, called up and fully paid</i>		
300,000,000 ordinary shares of 10p each	30,000	30,000

## Notes (continued)

### 17 Reconciliation of movement on shareholders' funds

	Share capital	Share premium	Profit and loss Account	Total
	£000	£000	£000	£000
At beginning of year	30,000	11,843	17,423	59,266
Retained profit for the year	-	-	5,556	5,556
At end of year	<u>30,000</u>	<u>11,843</u>	<u>22,979</u>	<u>64,822</u>

### 18 Pension scheme

The company contributes to a defined contribution pension scheme, set up by Bidvest (UK) Limited in June 2000. The pension cost for the year represents contributions payable by the company to the scheme and amounted to £1,461,000 (2002: £1,139,000).

Contributions amounting to £Nil (2002: £Nil) were payable to the scheme at the year end.

### 19 Capital commitments

Capital commitments authorised as at 30 June 2003, but not provided for in these financial statements amounted to £4,938,000 (2002: £2,564,000), in respect of which contracts for £1,544,000 (2002: £Nil) have been placed.

### 20 Operating lease commitments

The Company has annual rental commitments in respect of operating leases expiring as follows:

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring - within one year	858	453	711	460
Expiring - over one year and under five years	2,044	2,388	1,926	2,781
Expiring - over five years	1,428	-	1,435	-
	<u>4,330</u>	<u>2,841</u>	<u>4,072</u>	<u>3,241</u>

**Notes** *(continued)*

**21 Ultimate holding company**

The ultimate holding company of BFS Group Limited is The Bidvest Group Limited, a Company incorporated in South Africa. The largest group in which the results of the company are consolidated is that headed by that company. The smallest group in which they are consolidated is that headed by Bidvest (UK) Limited, incorporated in England. Copies of the accounts of The Bidvest Group Limited are available upon application to the Company Secretary at the following address: PO Box 87274, Houghton 2041, Johannesburg, South Africa. Copies of the accounts of Bidvest (UK) Limited are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.