

Registered no: 387085

ABE Catering Equipment Limited
Annual report
for the year ended 31 March 1999



A17
COMPANIES HOUSE

A3TP5NBY

0632
21/01/00

ABE Catering Equipment Limited

Annual report for the year ended 31 March 1999

	Page
Directors' report	1
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

Directors' report for the year ended 31 March 1999

The directors present their report and the audited financial statements for the year ended 31 March 1999.

Principal activity

The profit and loss account for the year is set out on page 5.

The principal activity of the company is the distribution and installation of catering equipment.

Review of business and future developments

The Company made a pre-tax loss of £28,000 for the year after an exceptional credit of £579,000, due to the waiver of intercompany debts due to Associated British Engineering plc.

The restructuring plan for the United Kingdom sales division has now been largely completed with the installation of a windows based integrated computer system.

The Export business had a very satisfactory year with a 26.1% increase in sales which was mainly due to securing a large government contract in central Africa. After a bright start the importing business suffered a downturn because of depressed conditions in its key retail market.

The directors believe that overall the business is now on a viable footing and, in an expanding market, we expect to see a continuing improvement in operating results in the future.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company at 31 March 1999, all of whom have been directors for the whole of the year ended on that date, are listed below:

M J Barry (Chairman)
P J Thompson
S A J Watney

In addition D W Budd who was a director at 1 April 1998, resigned on 31 August 1998.

Directors' interests

None of the above directors held any interest, beneficial or otherwise in the shares of the company or fellow subsidiaries. The interests of the directors in the shares of the ultimate holding company, Associated British Engineering plc, (including options to subscribe for shares under the Executive Scheme) are as follows:-

	31 March 1999 Options over 1p ordinary shares	31 March 1998 Options over 1p ordinary shares
P J Thompson	96,000	96,000
S A J Watney	96,000	96,000

Full details of options granted under the Executive Scheme are disclosed in the annual report of Associated British Engineering plc, the ultimate holding company. The interests of M J Barry in the shares of group companies are stated in the financial statements of the ultimate holding company.

Year 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

The company is participating in a programme designed to address the impact of the year 2000 on all the group's business. The company has contributed a number of personnel to this project and the board of directors is regularly updated on progress.

As part of the exercise, an analysis of significant risks has been performed to determine the impact of the issue on our activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. Priority is being given to those systems that could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on our business of year 2000 related failures by our significant suppliers and customers. In appropriate cases formal assurance is being sought from these other parties.

The total cost to complete modifications to our computer hardware and software is estimated at £363,000 of which some £279,000 is for new equipment and systems

ABE Catering Equipment Limited

3

enhancements. All of the expected costs of modification have been incurred by the end of March 1999.

Directors' responsibilities

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

- Select suitable accounting policies and then apply them consistently.
- Make adjustments 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 (see note 1).

The directors are responsible for keeping proper accounting records that 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.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

By order of the board



M J Barry
Director

18/6/99

Report of the auditors to the members of ABE Catering Equipment Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


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 at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

10 June 1999

ABE Catering Equipment Limited

5

Profit and loss account for the year ended 31 March 1999

	Notes	1999 £'000	1998 £'000
Turnover	2,3	10,885	12,499
Net operating expenses	3	(11,031)	(12,656)
Exceptional operating income	4	579	1,300
Operating profit		433	1,143
Interest payable and similar charges	7	(461)	(429)
(Loss)/profit on ordinary activities before taxation	8	(28)	714
Tax on (loss)/profit on ordinary activities	9	-	-
(Loss)/retained profit for the financial year	18	(28)	714

The company's result for the year above is derived from continuing activities (see note 3).

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

ABE Catering Equipment Limited

6

Balance sheet at 31 March 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	10	562	260
Investments	11	147	147
		<u>709</u>	<u>407</u>
Current assets			
Stocks	12	1,391	1,520
Debtors	13	2,024	2,513
Cash at bank and in hand		2	5
		<u>3,417</u>	<u>4,038</u>
Creditors: amounts falling due within one year	14	8,005	7,670
Net current liabilities		<u>(4,588)</u>	<u>(3,632)</u>
Total assets less current liabilities		<u>(3,879)</u>	<u>(3,225)</u>
Creditors: amounts falling due after more than one year	15	305	931
Net liabilities		<u>(4,184)</u>	<u>(4,156)</u>
Capital and reserves			
Called up share capital	17	800	800
Share premium account		581	581
Profit and loss account (deficit)	18	(5,565)	(5,537)
Equity shareholders' deficit	19	<u>(4,184)</u>	<u>(4,156)</u>

The financial statements on pages 5 to 17 were approved by the board of directors on

18th June 1999

and were signed on its behalf by:

Michael Barry

M J Barry
Director

Notes to the financial statements for the year ended 31 March 1999

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared under the historical cost convention and the going concern basis of accounting.

The company's parent company, Associated British Engineering plc, has provided the directors with confirmation of its intention to provide the company with sufficient funds to enable it to continue as a going concern for at least 12 months from the date of approval of these financial statements.

Basis of consolidation

The financial statements contain information about ABE Catering Equipment Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial information statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Associated British Engineering plc.

Turnover

Turnover represents the invoiced value of goods and services, excluding value added tax, to third parties.

Tangible fixed assets

The cost of fixed assets is their purchase costs, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Short leasehold properties	over period of lease
Plant, equipment & motor vehicles	10-25

Finance and operating leases

Costs in respect of operating leases are charged in a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and investment. The capital element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

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

Foreign currencies

Foreign currency transactions arising during the year are stated in pounds sterling at the appropriate rates of exchange ruling at the time they arise. Assets and liabilities denominated in foreign currencies are translated into pounds sterling at rates ruling at the balance sheet date. Exchange adjustments are charged and credited to the profit and loss account as they arise.

Deferred taxation

Provision is made for taxation deferred by capital allowances and other timing differences, using the liability method to the extent that in the opinion of the directors a tax liability is expected to crystallise in the foreseeable future.

Pension costs

Contributions to the group's defined benefit pension scheme are charged to the company's profit and loss account so as to recognise the cost evenly over the expected average service lives of the employees.

Related party transactions

FRS 8, "Related Party Disclosures", requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has adopted the provisions of FRS 8. However, transactions between the company and other group companies, including their associates and joint ventures, have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

Cash flow

The company is a wholly owned subsidiary of Associated British Engineering plc and the cash flows of the company are included in the consolidated group cash flow statement of Associated British Engineering plc. Consequently the company is exempt

ABE Catering Equipment Limited

9

under the terms of Financial Reporting Standard 1 (Revised), 'Cash flow statements', from publishing a cash flow statement.

2 Turnover

Class of business

All turnover is derived from the company's principal activity.

Geographical Segment

	1999 £'000	1998 £'000
United Kingdom	9,745	11,595
Europe	54	108
Far East	18	61
Middle East	489	466
Africa	566	259
Other	13	10
	<u>10,885</u>	<u>12,499</u>

3 Turnover and net operating expenses

	1999 Total £'000	1998 Continuing Operations £'000	1998 Discontinued Operations £'000	1998 Total £'000
Turnover	<u>10,885</u>	<u>12,364</u>	<u>135</u>	<u>12,499</u>
Changes in stocks of finished goods and work in progress	129	(78)	-	(78)
Raw materials and consumables	7,749	8,795	124	8,919
Staff costs (see note 6)	1,480	1,912	42	1,954
Depreciation charge for the year:				
Tangible owned fixed assets	104	138	9	147
Tangible fixed assets held under finance leases	9	10	-	10
Other operating charges	<u>1,560</u>	<u>1,704</u>	<u>-</u>	<u>1,704</u>
	<u>11,031</u>	<u>12,481</u>	<u>175</u>	<u>12,656</u>
Exceptional income (note 4)	<u>(579)</u>	<u>(1,300)</u>	<u>-</u>	<u>(1,300)</u>
	<u>10,452</u>	<u>11,181</u>	<u>175</u>	<u>11,356</u>
Operating profit/(loss)	<u>433</u>	<u>1,183</u>	<u>(40)</u>	<u>1,143</u>

4 Exceptional operating income

The exceptional income of £579,000 (1998: £1,300,000) relates to the waiver of intercompany debts due to Associated British Engineering plc, arising from decisions made by the board of directors of that company.

5 Directors' emoluments

	1999 £'000	1998 £'000
Aggregate emoluments	106	127

Retirement benefits are accruing to two directors (1998: three) under a defined benefit scheme.

6 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

	1999 Number	1998 Number
By activity		
Engineers	2	5
Others	81	110
	83	115
	1999 £'000	1998 £'000
Staff costs (for the above persons):		
Wages and salaries	1,313	1,739
Social security costs	122	158
Other pension costs (see note 16)	45	57
	1,480	1,954

7 Interest payable and similar charges

	1999 £'000	1998 £'000
Bank loans and overdrafts	457	425
On finance leases	4	4
	<u>461</u>	<u>429</u>

8 (Loss)/profit on ordinary activities before taxation

	1999 £'000	1998 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	104	147
Tangible fixed assets held under finance leases	9	10
Auditors' remuneration for:		
Audit	29	24
Other	8	6
Hire of plant and machinery - operating leases	129	157
Hire of other assets - operating leases	270	245
	<u>270</u>	<u>245</u>

9 Tax on (loss)/profit on ordinary activities

No liability arose to taxation during the year. The company has losses computed for taxation purposes of approximately £2,400,000 (1998: £2,300,000) available to carry forward to future periods. The company intends to surrender the benefit of tax losses for the year ended 31 March 1999 to another group undertaking at nil consideration and accordingly no benefit for these losses has been recognised in these financial statements.

10 Tangible fixed assets

	Short leasehold properties	Plant, Equipment & Motor Vehicles		Total
		Owne	Held under Finance Leases	
	£'000	£'000	£'000	£'000
Cost				
At 1 April 1998	153	1,249	67	1,469
Additions	-	392	23	415
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1999	153	1,641	90	1,884
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 April 1998	51	1,114	44	1,209
Charge for year	6	98	9	113
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1999	57	1,212	53	1,322
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 March 1999	96	429	37	562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 March 1998	102	135	23	260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11 Fixed asset investments

	Interests in group undertakings £'000
Cost	
At 1 April 1998 and 31 March 1999	1,649
	<u> </u>
Amounts written off	
At 1 April 1998 and 31 March 1999	1,502
	<u> </u>
Net book value	
At 31 March 1999	147
	<u> </u>
At 31 March 1998	147
	<u> </u>

ABE Catering Equipment Limited

13

Interests in group undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held
Staines Group (Catering Equipment) Limited	£1 ordinary shares £1 deferred shares	100%
E Coaney and Company Limited	£1 ordinary shares £1 deferred shares	100%
ABE Direct Limited	£1 ordinary shares	100%
Staines Catering Equipment International Limited	£1 ordinary shares £1 deferred shares	100%
Paul Mitton & Co Limited	£1 ordinary shares	100%
Peter Nisbet & Company Limited	£1 ordinary shares	100%

All of the subsidiaries are dormant.

12 Stocks

	1999 £'000	1998 £'000
Work in progress	-	20
Finished goods and goods for resale	1,391	1,500
	<u>1,391</u>	<u>1,520</u>

13 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year		
Trade debtors	1,790	2,185
Other debtors	110	121
Prepayments and accrued income	124	207
	<u>2,024</u>	<u>2,513</u>

14 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank loans and overdrafts (secured)	5,716	5,073
Obligations under finance leases	10	6
Trade creditors	1,899	2,204
Other taxation and social security	181	139
Other creditors	6	9
Accruals and deferred income	193	239
	<u>8,005</u>	<u>7,670</u>

The overdrafts are secured by fixed and floating charges over the assets of group undertakings and by cross guarantees between group undertakings (see note 20).

15 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Bank loans and overdrafts	5,854	5,266
Obligations under finance leases	30	18
Amounts owed to group undertakings	147	726
	<u>6,031</u>	<u>6,010</u>
Less: amounts falling due within one year:		
Bank loans and overdrafts	5,716	5,073
Obligations under finance leases	10	6
	<u>305</u>	<u>931</u>

Amounts owed to group undertakings are not subject to any fixed terms for repayment and are interest free.

	1999 £'000	1998 £'000
Bank loans and overdrafts		
Repayable as follows:		
In one year or less	5,716	5,073
Between one and two years	110	55
Between two and five years	28	138
	<u>5,854</u>	<u>5,266</u>

Finance leases

The net finance lease obligations to which the company is committed are:

	1999 £'000	1998 £'000
In one year or less	10	6
Between one and two years	16	5
Between two and five years	4	7
	<u>30</u>	<u>18</u>

16 Pension and similar obligations

The company participates in the defined benefit pension scheme operated by the group, the assets of which are held in a separate trustee administered fund. The total pension cost for the year was £45,157 (1998: £57,000). Costs are assessed with the advice of an independent qualified actuary using the projected unit method and charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Full details of the results of the latest actuarial valuation are shown in the financial statements of the parent, Associated British Engineering plc.

17 Called up share capital

	1999 £'000	1998 £'000
Authorised, allotted, called up and fully paid 800,000 ordinary shares of £1 each	800	800

18 Profit and loss account

	£'000
At 1 April 1998	(5,537)
Loss for the year	(28)
	<u> </u>
At 31 March 1999	<u>(5,565)</u>

19 Reconciliation of movements in shareholders' deficit

	1999 £'000	1998 £'000
Opening shareholders' deficit	(4,156)	(4,870)
(Loss)/profit for the financial year	(28)	714
Closing shareholders' deficit	<u>(4,184)</u>	<u>(4,156)</u>

20 Contingent liabilities

	1999 £'000	1998 £'000
Bonds re: HM Customs and Excise	<u>70</u>	<u>70</u>

Additionally, the bankers have been given a cross guarantee between ABE Catering Equipment limited, Associated British Engineering plc and British Polar Engines Limited. At 31 March 1999 the total secured net borrowings of Associated British Engineering plc and British Polar Engines Limited amounted to £Nil (1998: £Nil).

21 Capital commitments

	1999 £'000	1998 £'000
Future capital expenditure contracted but not provided	<u>-</u>	<u>145</u>

22 Financial commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Other £'000	Land and Buildings £'000	Other £'000	Land and Buildings £'000
Expiring within one year	40	100	10	116
Expiring within two and five years inclusive	41	31	125	-
Expiring in over five years	-	153	-	153
	<u>81</u>	<u>284</u>	<u>135</u>	<u>269</u>

23 Ultimate parent company

In the opinion of the directors the ultimate parent company and controlling party of ABE Catering Equipment Limited is Associated British Engineering plc. According to the register kept by the company, Associated British Engineering plc has a 100% interest in the equity capital of ABE Catering Equipment Limited at 31 March 1999. A copy of the parent's consolidated financial statements may be obtained from the company secretary, 78 Chapel Street, Thatcham, Newbury, Berkshire RG13 3QN.