

Registered no: 387085

ABE Catering Equipment Limited
Annual report
for the year ended 31 March 1998



ABE Catering Equipment Limited

Annual report for the year ended 31 March 1998

	Pages
Directors' report	1 - 3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 17

Directors' report for the year ended 31 March 1998

The directors present their report and the audited financial statements for the year ended 31 March 1998.

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 business achieved a turnover of £12.4 million and incurred an operating loss, before exceptional income, on continuing operations of £117,000. The launch of the new catalogue and rationalisation of the product range has enabled us to obtain an improvement of just under 3 percentage points in the gross margin. Due to rationalisation through the year annualised cost savings of approximately £400,000 have been budgeted for 1998/99.

The company's balance sheet has been restructured which includes the waiver of £1.3 million of intercompany debts to the parent company.

The final stages of the three year recovery plan are now being implemented with concentration into one warehouse and the installation of a new computer based information system. We believe that a combination of cost savings, improved gross margins and sustainable sales now make the business viable over the long term.

A consensus of economic forecasts for the year indicate that a downturn in consumer demand will affect the catering market, which comprises our customer base. The recovery plan has however been designed to make the business robust enough to withstand the cyclical nature of its market and we expect to return to operating profits during the current year.

The directors do not recommend payment of a dividend (1997 - Nil).

Year 2000

The Year 2000 issue, which stems from computer programmes written using two digits rather than four to define the applicable year, could result in processing faults on the change of century producing a wide range of consequences.

The review of business explains that the company has invested in a new computer system as part of its three year recovery plan. This computer system is also year 2000 compliant. The cost of this investment is expected to be approximately £290,000.

Directors

The directors of the company at 31 March 1998, 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
D W Budd
S A J Watney

Directors' interests in shares of the company

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 1998 Options over 1p ordinary shares	31 March 1997 Options over 1p ordinary shares
P J Thompson	96,000	96,000
D W Budd	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.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

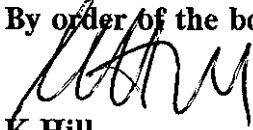
ABE Catering Equipment Limited

3

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company will be proposed at the annual general meeting.

By order of the board



K Hill

Company Secretary

11 0 JUL 1998

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

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

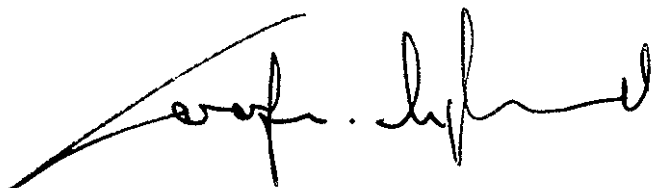
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading

14 July 1998

**Profit and loss account
for the year ended 31 March 1998**

	Note	1998 Continuing Operations £'000	1998 Discontinued Operations £'000	1998 Total £'000	1997 Total £'000
Turnover	2,3	12,364	135	12,499	13,423
Net operating expenses	3	(12,481)	(175)	(12,656)	(13,579)
Exceptional operating income	4	1,300	-	1,300	-
Operating profit/(loss)		<u>1,183</u>	<u>(40)</u>	<u>1,143</u>	<u>(156)</u>
Exceptional item - discontinued catering equipment business				-	(344)
Profit/(loss) on ordinary activities before interest				<u>1,143</u>	<u>(500)</u>
Interest payable and similar charges	7			(429)	(360)
Profit/(loss) on ordinary activities before taxation	8			<u>714</u>	<u>(860)</u>
Tax on profit/(loss) on ordinary activities	9			-	-
Retained profit/(loss) for the financial year	18			<u><u>714</u></u>	<u><u>(860)</u></u>

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 profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the years stated above, and their historical cost equivalent.

ABE Catering Equipment Limited

6

Balance sheet at 31 March 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	10	260	395
Investments	11	147	147
		<u>407</u>	<u>542</u>
Current assets			
Stocks	12	1,520	1,442
Debtors	13	2,513	2,948
Cash at bank and in hand		5	5
		<u>4,038</u>	<u>4,395</u>
Creditors: amounts falling due within one year	14	<u>7,670</u>	<u>7,832</u>
Net current liabilities		<u>(3,632)</u>	<u>(3,437)</u>
Total assets less current liabilities		<u>(3,225)</u>	<u>(2,895)</u>
Creditors: amounts falling due after more than one year	15	<u>931</u>	<u>1,975</u>
Net liabilities		<u>(4,156)</u>	<u>(4,870)</u>
Capital and reserves			
Called up share capital	17	800	800
Share premium account	18	581	581
Profit and loss account (deficit)	18	(5,537)	(6,251)
Equity shareholders' deficit	19	<u>(4,156)</u>	<u>(4,870)</u>

The financial statements on pages 4 to 17 were approved by the board of directors on
10 JUL 1998, and were signed on its behalf by:

Michael Barry

M J Barry
Director

**Notes to the financial statements
for the year ended 31 March 1998****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.

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

Turnover

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

Tangible fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is calculated to write off fixed assets over their estimated useful lives at the following annual rates:

Plant, equipment and motor vehicles	10%-25%
Short leasehold property	over period of lease

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 associated and joint ventures, have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

2 Turnover and profit on ordinary activities before taxation

Class of business

All turnover and results on ordinary activities before taxation are derived from the distribution and installation of catering equipment.

Geographical Segment

	1998 £'000	1997 £'000
United Kingdom	11,595	12,655
Europe	108	65
Far East	61	66
Middle East	466	364
Africa	259	266
The Americas	6	7
Australia	4	-
	<u>12,499</u>	<u>13,423</u>

3 Turnover and net operating expenses

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

	1997 Continuing Operations £'000	1997 Discontinued Operations £'000	Total £'000
Turnover	12,986	437	13,423
Changes in stocks of finished goods and work in progress	185	(167)	18
Raw materials and consumables	9,673	293	9,966
Staff costs (see note 6)	1,800	125	1,925
Depreciation charge for the year:			
Tangible owned fixed assets	139	8	147
Tangible fixed assets held under finance leases	3	3	6
Other operating charges	1,262	255	1,517
	<u>13,062</u>	<u>517</u>	<u>13,579</u>
Operating loss	<u>(76)</u>	<u>(80)</u>	<u>(156)</u>

4 Exceptional income

The exceptional income of £1,300,000 in the year ended 31 March 1998 related 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

The remuneration paid to the directors of ABE Catering Equipment Limited was:

	1998 £'000	1997 £'000
Aggregate emoluments	127	126
	<u>127</u>	<u>126</u>

Retirement benefits are accruing to three directors (1997: three) under a defined benefit scheme.

6 Employee information

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

	1998 Number	1997 Number
Engineers	5	8
Others	110	113
	<u>115</u>	<u>121</u>
	<u>115</u>	<u>121</u>
	1998	1997
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	1,739	1,713
Social security costs	158	153
Other pension costs (see note 16)	57	59
	<u>1,954</u>	<u>1,925</u>
	<u>1,954</u>	<u>1,925</u>

7 Interest payable and similar charges

	1998 £'000	1997 £'000
Bank loans and overdrafts	425	357
On finance leases	4	3
	<u>429</u>	<u>360</u>
	<u>429</u>	<u>360</u>

8 Profit/(loss) on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	147	146
Tangible fixed assets held under finance leases	10	7
Auditors' remuneration for:		
Audit	24	22
Other services to the company	6	6
Hire of plant and machinery - operating leases	157	163
Hire of other assets - operating leases	245	245
Exceptional items - discontinued catering equipment business	-	344
	<u>1,954</u>	<u>1,925</u>
	<u>1,954</u>	<u>1,925</u>

9 Tax on profit on ordinary activities

No liability arose to taxation during the year. The company has losses computed for taxation purposes of approximately £2,330,000 (1997: £2,300,000) available to carry forward to future periods.

10 Tangible fixed assets

	Short leasehold properties	Plant, Equipment & Motor Vehicles		Total
		Owned	Held under Finance Leases	
	£'000	£'000	£'000	£'000
Cost				
At 1 April 1997	153	1,237	57	1,447
Additions	-	12	10	22
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1998	153	1,249	67	1,469
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 April 1997	45	973	34	1,052
Charge for year	6	141	10	157
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 1998	51	1,114	44	1,209
	<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>
Net book value				
At 31 March 1997	108	264	23	395
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

11 Fixed asset investments

	Interests in group undertakings £'000
Cost	
At 1 April 1997 and 31 March 1998	1,649
Amounts written off	
At 1 April 1997 and 31 March 1998	1,502
Net book value	
At 31 March 1998	147
At 31 March 1997	147

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

	1998 £'000	1997 £'000
Work in progress	20	4
Finished goods and goods for resale	1,500	1,438
	<u>1,520</u>	<u>1,442</u>

13 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year		
Trade debtors	2,185	2,762
Other debtors	121	125
Prepayments and accrued income	207	61
	<u>2,513</u>	<u>2,948</u>

14 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Bank loans and overdrafts (secured)	5,073	5,026
Obligations under finance leases	6	8
Trade creditors	2,204	2,443
Other taxation and social security payable	139	163
Other creditors	9	9
Accruals and deferred income	239	183
	<u>7,670</u>	<u>7,832</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

	1998 £'000	1997 £'000
Bank loans and overdrafts	5,266	5,026
Obligations under finance leases	18	12
Amounts owed to group undertakings	726	1,971
	<u>6,010</u>	<u>7,009</u>
Less: amounts falling due within one year:		
Bank loans and overdrafts	5,073	5,026
Obligations under finance leases	6	8
	<u>931</u>	<u>1,975</u>

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

	1998 £'000	1997 £'000
Bank loans and overdrafts		
Repayable as follows:		
In one year or less	5,073	5,026
Between one and two years	55	-
Between two and five years	138	-
	<u>5,266</u>	<u>5,026</u>

Finance leases

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

	1998 £'000	1997 £'000
In one year or less	6	8
Between one and two years	5	4
Between two and five years	7	-
	<u>18</u>	<u>12</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 £57,000 (1997: £59,000). 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

	1998 £'000	1997 £'000
Authorised		
800,000 ordinary shares of £1 each	800	800
	<u>800</u>	<u>800</u>
Allotted, called up and fully paid		
800,000 ordinary shares of £1 each	800	800
	<u>800</u>	<u>800</u>

18 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 1997	581	(6,251)
Retained profit for the year	-	714
	<u>581</u>	<u>(5,537)</u>
At 31 March 1998	<u>581</u>	<u>(5,537)</u>

19 Reconciliation of movements in shareholders' deficit

	1998 £'000	1997 £'000
Opening shareholders' deficit	(4,870)	(4,010)
Profit/(loss) for the financial year	714	(860)
	<u>(4,156)</u>	<u>(4,870)</u>
Closing shareholders' deficit	<u>(4,156)</u>	<u>(4,870)</u>

20 Contingent liabilities

	1998 £'000	1997 £'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 1998 the total secured net borrowings of Associated British Engineering plc and British Polar Engines Limited amounted to £Nil (1997: £Nil).

21 Capital commitments

	1998 £'000	1997 £'000
Future capital expenditure		
Contracted but not provided	<u>145</u>	<u>-</u>

22 Financial commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Other	Land and Buildings	Other	Land and Buildings
	£'000	£'000	£'000	£'000
Expiring within one year	10	116	16	85
Expiring between two and five years inclusive	125	-	123	31
Expiring in over five years	-	153	-	153
	<u>135</u>	<u>269</u>	<u>139</u>	<u>269</u>

23 Ultimate parent company

The directors regard Associated British Engineering plc as the ultimate parent company. 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 1998. A copy of the parent's consolidated financial statements may be obtained from The Company Secretary, 78 Chapel Street, Thatcham, Newbury, Berkshire RG13 3QN.

24 Controlling party

The directors regard Associated British Engineering plc as the ultimate controlling party.