

Registered no: 1437478

Melbourne Holdings Limited  
Annual report  
for the year ended 31 December 1998



# **Melbourne Holdings Limited**

## **Annual report for the year ended 31 December 1998**

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**Directors' report  
for the year ended 31 December 1998**

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

**Principal activities**

The consolidated profit and loss account for the year is set out on page 4.

The company acts as holding company of a group engaged in the construction industry and in the packaging and distribution of fresh and dehydrated foods.

**Review of business**

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

**Year 2000**

The directors have undertaken a review of the impact Year 2000 will have on the company's business and operations and do not believe that it will affect operations. No estimation of costs to ensure Year 2000 compliance for all operating systems has been made, but the directors do not believe such costs to be material to operating results.

**Dividends**

The directors have declared the following dividends in respect of the year ended 31 December 1998:

|              | 1998<br>£  | 1997<br>£      |
|--------------|------------|----------------|
| Interim paid | <u>Nil</u> | <u>160,000</u> |

**Directors**

The directors of the company at 31 December 1998, all of whom have been directors for the whole of the year ended on that date, were:

J L Priestley  
R J Lee

J L Priestley retires from the Board by rotation and, being eligible, offers himself for re-election.

We regret to say that Mrs E M Priestley, who was a director as at 31 December 1997 and was re-elected in 1998, died during the year.

**Directors' interests**

The interests of the directors in the shares of the company at 31 December 1998 were:

|                              | Ordinary shares of £1 each |                |
|------------------------------|----------------------------|----------------|
|                              | 1998<br>Number             | 1997<br>Number |
| J L Priestley                | 8,976                      | 8,930          |
| Mrs E M Priestley (Deceased) | -                          | 46             |
| R J Lee                      | -                          | -              |

R J Lee holds 100 £1 ordinary shares in a group company, Readifoods Limited (1997: 100).

**Directors' responsibilities statement**

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 December 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.

**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.

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

**By order of the board**

**R J Lee**  
**Company secretary**

# Report of the auditors to the members of Melbourne Holdings Limited

We have audited the financial statements on pages 4 to 19, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 and 8.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 2, 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 director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all 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 affairs of the company and the group at 31 December 1998 and of the profit and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Nottingham

5th October 1999

# Consolidated profit and loss account for the year ended 31 December 1998

|  | Notes | 1998<br>£'000 | 1997<br>£'000 |
|--|-------|---------------|---------------|
| <b>Turnover</b>                                      | 2     | <b>20,461</b> | 21,884        |
| Cost of sales  |       | (16,536)      | (17,628)      |
| Exceptional credit to cost of sales                  | 3     | 222           | -             |
| <b>Gross profit</b>                                  |       | <b>4,147</b>  | 4,256         |
| Net operating expenses                               | 4     | (2,991)       | (2,617)       |
| <b>Operating profit</b>                              |       | <b>1,156</b>  | 1,639         |
| Interest receivable and similar income               | 7     | 21            | -             |
| Interest payable and similar charges                 | 8     | (38)          | (38)          |
| <b>Profit on ordinary activities before taxation</b> | 9     | <b>1,139</b>  | 1,601         |
| Tax on profit on ordinary activities                 | 10    | (357)         | (492)         |
| <b>Profit on ordinary activities after taxation</b>  |       | <b>782</b>    | 1,109         |
| Minority interests                                   |       | (79)          | (77)          |
| <b>Profit for the financial year</b>                 |       | <b>703</b>    | 1,032         |
| Dividends  | 12    | -             | (160)         |
| <b>Retained profit for the year</b>                  | 22    | <b>703</b>    | 872           |

All items dealt with in arriving at the operating profit on ordinary activities before taxation relate to continuing operations.

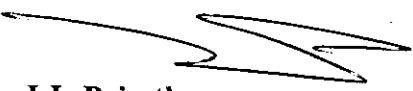
The group has no material gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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

## Balance sheets at 31 December 1998

|  | Notes | Group         |               | Company       |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 1998<br>£'000 | 1997<br>£'000 | 1998<br>£'000 | 1997<br>£'000 |
| <b>Fixed assets</b>  |       |               |               |               |               |
| Intangible assets  | 13    | 7             | 7             | 1             | 1             |
| Tangible assets  | 14    | 4,789         | 4,676         | 3,546         | 3,543         |
| Investments  | 15    | -             | -             | 5             | 5             |
|  |       | <u>4,796</u>  | <u>4,683</u>  | <u>3,552</u>  | <u>3,549</u>  |
| <b>Current assets</b>  |       |               |               |               |               |
| Stocks   | 16    | 2,683         | 2,343         | 905           | 459           |
| Debtors  | 17    | 4,865         | 4,625         | 1,275         | 1,406         |
| Cash at bank and in hand                                       |       | 760           | 225           | 2,509         | 1,710         |
|  |       | <u>8,308</u>  | <u>7,193</u>  | <u>4,689</u>  | <u>3,575</u>  |
| <b>Creditors: amounts falling due within one year</b>          | 18    | <u>4,609</u>  | <u>4,102</u>  | <u>963</u>    | <u>531</u>    |
| <b>Net current assets</b>                                      |       | <u>3,699</u>  | <u>3,091</u>  | <u>3,726</u>  | <u>3,044</u>  |
| <b>Total assets less current liabilities</b>                   |       | <u>8,495</u>  | <u>7,774</u>  | <u>7,278</u>  | <u>6,593</u>  |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | 181           | 211           | 55            | 108           |
| <b>Provisions for liabilities and charges</b>                  |       |               |               |               |               |
| Deferred taxation  | 20    | 215           | 194           | 80            | 64            |
|  |       | <u>396</u>    | <u>405</u>    | <u>135</u>    | <u>172</u>    |
| <b>Net assets</b>  |       | <u>8,099</u>  | <u>7,369</u>  | <u>7,143</u>  | <u>6,421</u>  |
| <b>Capital and reserves</b>                                    |       |               |               |               |               |
| Called up share capital  | 21    | 9             | 9             | 9             | 9             |
| Revaluation reserve  | 22    | 1,120         | 1,128         | 1,120         | 1,128         |
| Profit and loss account  | 22    | 6,866         | 6,155         | 6,014         | 5,284         |
| <b>Equity shareholders' funds</b>                              | 23    | <u>7,995</u>  | <u>7,292</u>  | <u>7,143</u>  | <u>6,421</u>  |
| <b>Minority interests</b>                                      |       | <u>104</u>    | <u>77</u>     | -             | -             |
|  |       | <u>8,099</u>  | <u>7,369</u>  | <u>7,143</u>  | <u>6,421</u>  |

The financial statements on pages 4 to 19 were approved by the board of directors on 30<sup>th</sup> September 1999 and were signed on its behalf by:

  
J L Priestley  
Director

# Consolidated cash flow statement for the year ended 31 December 1998

|  | Notes | 1998<br>£'000     | 1997<br>£'000     |
|--|-------|-------------------|-------------------|
| <b>Net cash inflow from operating activities</b>                             | 24    | <u>1,540</u>      | <u>1,415</u>      |
| <b>Returns on investments and servicing of finance</b>                       |       |                   |                   |
| Interest received  |       | 21                | -                 |
| Interest paid  |       | -                 | (11)              |
| Interest paid on finance leases and hire purchase contracts                  |       | (38)              | (27)              |
| Dividends paid to minority shareholders in subsidiary undertakings           |       | <u>(28)</u>       | <u>(18)</u>       |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |       | <u>(45)</u>       | <u>(56)</u>       |
| <b>Taxation</b>  |       |                   |                   |
| UK corporation tax paid  |       | <u>(482)</u>      | <u>(407)</u>      |
| <b>Capital expenditure</b>   |       |                   |                   |
| Purchase of tangible fixed assets  |       | (637)             | (340)             |
| Sale of tangible fixed assets  |       | <u>408</u>        | <u>132</u>        |
| <b>Net cash outflow from investing activities</b>                            |       | <u>(229)</u>      | <u>(208)</u>      |
| <b>Equity dividends paid</b>   |       | <u>-</u>          | <u>(160)</u>      |
| <b>Net cash inflow before financing</b>                                      |       | <u>784</u>        | <u>584</u>        |
| <b>Financing</b>   |       |                   |                   |
| Payment of principal under finance leases and hire purchase contracts        | 26    | (178)             | (192)             |
| Loan repayments  |       | <u>(71)</u>       | <u>(71)</u>       |
| <b>Net cash outflow from financing</b>                                       |       | <u>(249)</u>      | <u>(263)</u>      |
| <b>Increase in cash in the year</b>  | 25    | <u><u>535</u></u> | <u><u>321</u></u> |



## **Notes to the financial statements for the year ended 31 December 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 in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### **Basis of consolidation**

The consolidated financial statements include the company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profit are eliminated fully on consolidation.

#### **Tangible fixed assets and intangible fixed assets**

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

Interests in land and buildings are stated at a valuation with additions since the last valuation at cost. Full valuations are initially made by independent professionally qualified valuers and are updated by directors with the assistance of independent professional advice as required. The freehold land and buildings are valued on an open market existing use basis.

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

|                                  | %     |
|----------------------------------|-------|
| Plant and equipment              | 15-33 |
| Equipment, fixtures and fittings | 15    |
| Motor vehicles                   | 25    |

Depreciation is charged from the month of acquisition, or for plant and equipment under construction, from the month when commissioned.

Freehold land is not depreciated. Freehold buildings are depreciated on a straight-line basis at a rate of 1% per annum.

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing and hire purchase agreements, which transfer to the group 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 and hire purchase contracts. The payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit and loss in proportion to the reducing capital element outstanding.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of processed products, costs includes all direct expenditure and production overheads based on the normal level of activity. Cost in respect of construction work in progress comprises materials, direct labour and attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions during the year are translated at the rates ruling at the time of the transaction and all foreign exchange differences are taken to the profit and loss account in the year which they arise.

**Turnover**

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of work carried out and goods supplied.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

**Pension costs**

The group operates a defined contribution pension scheme for certain employees. The funds are administered by Trustees and are independent of the group's finances. All contributions are charged to the profit and loss account in the year in which they are incurred.

**2 Turnover**

|                           | 1998<br>£'000 | 1997<br>£'000 |
|---------------------------|---------------|---------------|
| <b>Geographical area:</b> |               |               |
| United Kingdom            | 18,882        | 20,679        |
| Europe                    | 408           | 505           |
| USA                       | 1,171         | 700           |
|                           | <u>20,461</u> | <u>21,884</u> |

**3 Exceptional credit to cost of sales**

This represents insurance received for the loss of business and expenses incurred as a result of a factory fire.

**4 Net operating expenses**

|                         | 1998<br>£'000 | 1997<br>£'000 |
|-------------------------|---------------|---------------|
| Distribution costs      | 810           | 750           |
| Administrative expenses | 2,181         | 1,867         |
|                         | <u>2,991</u>  | <u>2,617</u>  |

**5 Directors' emoluments**

|  | 1998<br>£'000 | 1997<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments (including benefits in kind)  | 686           | 134           |
| Company pension contributions (for five directors) | 61            | 40            |

**6 Employee information**

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

|                | 1998<br>Number | 1997<br>Number |
|----------------|----------------|----------------|
| Administration | 42             | 41             |
| Production     | 126            | 112            |
|                | <u>168</u>     | <u>153</u>     |

|                       | 1998<br>£'000 | 1997<br>£'000 |
|-----------------------|---------------|---------------|
| <b>Staff costs</b>    |               |               |
| Wages and salaries    | 2,922         | 2,231         |
| Social security costs | 237           | 176           |
| Other pension costs   | 68            | 61            |
|                       | <u>3,227</u>  | <u>2,468</u>  |

## 7 Interest receivable and similar income

|                     | 1998<br>£'000 | 1997<br>£'000 |
|---------------------|---------------|---------------|
| Interest receivable | <u>21</u>     | <u>-</u>      |

## 8 Interest payable and similar charges

|   | 1998<br>£'000 | 1997<br>£'000 |
|---|---------------|---------------|
| On bank loans and overdrafts                  | -             | 11            |
| On finance leases and hire purchase contracts | <u>38</u>     | <u>27</u>     |
|   | <u>38</u>     | <u>38</u>     |

## 9 Profit on ordinary activities before taxation

|  | 1998<br>£'000 | 1997<br>£'000 |
|--|---------------|---------------|
| <b>Profit on ordinary activities before taxation is stated after (crediting)/charging:</b> |               |               |
| Rent receivable  | (29)          | (30)          |
| <b>Depreciation:</b>   |               |               |
| Tangible owned fixed assets  | 281           | 245           |
| Tangible fixed assets held under finance leases and hire purchase contracts                | 111           | 98            |
| Auditors' remuneration for audit (company £3,000)  | 17            | 14            |
| Hire of plant and machinery  |               | 226           |
|  | <u></u>       | <u></u>       |

Remuneration of the company's auditors for non-audit services to the group was £5,000 (1997: £4,000).

**10 Tax on profit on ordinary activities**

|  | 1998<br>£'000 | 1997<br>£'000 |
|--|---------------|---------------|
| United Kingdom corporation tax at 31% (1997: 33%): |               |               |
| Current  | 331           | 481           |
| Deferred   | 21            | 4             |
| Under provision in respect of prior years:         |               |               |
| Current  | 5             | 7             |
|  | <u>357</u>    | <u>492</u>    |

**11 Profit for the financial year**

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year dealt with in the accounts of the holding company is £772,000 after including dividends from and management charges to subsidiaries.

**12 Dividends**

|  | 1998<br>£'000 | 1997<br>£'000 |
|--|---------------|---------------|
| Ordinary:  |               |               |
| Interim paid of £Nil per share (1997: £17.74p per share) | -             | 160           |
|  | <u>-</u>      | <u>160</u>    |

**13 Intangible fixed assets**

|  | Group<br>Trade marks<br>and lease<br>£'000 | Company<br>Lease<br>£'000 |
|--|--|---------------------------|
| Cost                                   |  |                           |
| At 1 January 1997 and 31 December 1998 | 7  | 1                         |
|  | <u>7</u>                                   | <u>1</u>                  |
| Net book value                         |  |                           |
| At 31 December 1998                    | 7  | 1                         |
|  | <u>7</u>                                   | <u>1</u>                  |
| At 31 December 1997                    | 7  | 1                         |
|  | <u>7</u>                                   | <u>1</u>                  |

## 14 Tangible fixed assets

| GROUP  | Freehold<br>land and<br>buildings<br>£'000 | Motor<br>vehicles<br>£'000 | Plant<br>and<br>machinery<br>£'000 | Equipment,<br>fixtures<br>and<br>fittings<br>£'000 | Total<br>£'000 |
|--|--|----------------------------|------------------------------------|--|----------------|
| <b>Cost or valuation</b>   |  |                            |                                    |  |                |
| At 1 January 1998  | 3,086                                      | 379                        | 2,275                              | 299  | 6,039          |
| Additions  | -  | 29                         | 811                                | 35   | 875            |
| Disposals  | -  | (27)                       | (694)                              | (2)  | (723)          |
| <b>At 31 December 1998</b>   | <b>3,086</b>                               | <b>381</b>                 | <b>2,392</b>                       | <b>332</b>   | <b>6,191</b>   |
| <b>Depreciation</b>  |  |                            |                                    |  |                |
| At 1 January 1998  | 99   | 161                        | 972                                | 131  | 1,363          |
| Charge for year  | 16   | 64                         | 276                                | 36   | 392            |
| Disposals  | -  | (17)                       | (335)                              | (1)  | (353)          |
| <b>At 31 December 1998</b>   | <b>115</b>                                 | <b>208</b>                 | <b>913</b>                         | <b>166</b>   | <b>1,402</b>   |
| <b>Net book value</b>  |  |                            |                                    |  |                |
| <b>At 31 December 1998</b>   | <b>2,971</b>                               | <b>173</b>                 | <b>1,479</b>                       | <b>166</b>   | <b>4,789</b>   |
| At 31 December 1997  | 2,987                                      | 218                        | 1,303                              | 168  | 4,676          |
| <b>Cost or valuation at<br/>31 December 1998 is represented by</b> |  |                            |                                    |  |                |
| Valuation in 1990  | 2,348                                      | -                          | -                                  | -  | 2,348          |
| Cost   | 738  | 381                        | 2,392                              | 332  | 3,843          |
|  | <b>3,086</b>                               | <b>381</b>                 | <b>2,392</b>                       | <b>332</b>   | <b>6,191</b>   |

The net book value of tangible fixed assets includes an amount of £409,400 (1997: £392,754) in respect of assets held under finance leases and hire purchase contracts.

| COMPANY  | Freehold<br>land and<br>buildings<br>£'000 | Motor<br>vehicles<br>£'000 | Plant<br>and<br>machinery<br>£'000 | Equipment,<br>fixtures<br>and<br>fittings<br>£'000 | Total<br>£'000 |
|--|--|----------------------------|------------------------------------|--|----------------|
| <b>Cost or valuation</b>   |  |                            |                                    |  |                |
| At 1 January 1998  | 3,070                                      | 75                         | 746                                | 31   | 3,922          |
| Additions  | -  | -                          | 442                                | 2  | 444            |
| Disposals  | -  | -                          | (553)                              | -  | (553)          |
| <b>At 31 December 1998</b>   | <b>3,070</b>                               | <b>75</b>                  | <b>635</b>                         | <b>33</b>  | <b>3,813</b>   |
| <b>Depreciation</b>  |  |                            |                                    |  |                |
| At 1 January 1998  | 90   | 20                         | 251                                | 18   | 379            |
| Charge for year  | 15   | 14                         | 72                                 | 3  | 104            |
| Disposals  | -  | -                          | (216)                              | -  | (216)          |
| <b>At 31 December 1998</b>   | <b>105</b>                                 | <b>34</b>                  | <b>107</b>                         | <b>21</b>  | <b>267</b>     |
| <b>Net book value</b>  |  |                            |                                    |  |                |
| <b>At 31 December 1998</b>   | <b>2,965</b>                               | <b>41</b>                  | <b>528</b>                         | <b>12</b>  | <b>3,546</b>   |
| At 31 December 1997  | 2,980                                      | 55                         | 495                                | 13   | 3,543          |
| <b>Cost or valuation at<br/>31 December 1998 is represented by</b> |  |                            |                                    |  |                |
| Valuation in 1990  | 2,348                                      | -                          | -                                  | -  | 2,348          |
| Cost   | 722  | 75                         | 635                                | 33   | 1,465          |
|  | <b>3,070</b>                               | <b>75</b>                  | <b>635</b>                         | <b>33</b>  | <b>3,813</b>   |

The net book value of tangible fixed assets includes an amount of £79,362 (1997: £80,385) in respect of assets held under finance leases and hire purchase contracts.

Land and buildings were revalued in 1990. If they had not been revalued they would have been included at the following amounts:

|                                      | Land and buildings |              |
|--------------------------------------|--------------------|--------------|
|                                      | 1998               | 1997         |
| Cost                                 | 1,912              | 1,912        |
| Aggregate depreciation based on cost | (64)               | (55)         |
| Net book value based on cost         | <b>1,848</b>       | <b>1,857</b> |

## 15 Investments

| Company                                   | Interests<br>in group<br>undertakings<br>£'000 |
|---|--|
| <b>Cost or valuation</b>                  |  |
| At 1 January 1998 and at 31 December 1998 | 7  |
| <b>Amounts written off</b>                |  |
| At 1 January 1998 and at 31 December 1998 | 2  |
| <b>Net book value</b>                     |  |
| At 31 December 1998                       | 5  |
| At 31 December 1997                       | 5  |

The interests in group undertakings are stated at cost less provisions for permanent diminutions in value, except the investment in J L Priestley & Co Limited which is stated at the nominal value of shares issued in consideration of the purchase.

**Interests in group undertakings**

| Name of undertaking                        | Country of<br>incorporation<br>or registration | Description of<br>shares held | Proportion of<br>nominal value of<br>issued shares held<br>by company<br>% | Activity                 |
|--|--|-------------------------------|--|--------------------------|
| J L Priestley & Co Limited                 | England  | Ordinary £1 shares            | 100  | Food<br>distribution     |
| Readifoods<br>Limited                      | England  | Ordinary £1 shares            | 90   | Food<br>distribution     |
| Smith Construction<br>(Heckington) Limited | England  | Ordinary £1 shares            | 75   | Building<br>contractors  |
| J L Priestley Fresh Produce<br>Limited     | England  | Ordinary £1<br>shares         | 75   | Food<br>distribution     |
| Quick Dry Foods<br>Limited                 | England  | Ordinary £1<br>shares         | 100  | Vegetable<br>dehydrating |

**Interests in associated undertakings**

|                                |         |                       |    |                      |
|--------------------------------|---------|-----------------------|----|----------------------|
| South Lincs Produce<br>Limited | England | Ordinary £1<br>shares | 25 | Food<br>distribution |
|--------------------------------|---------|-----------------------|----|----------------------|

South Lincs Produce Limited was incorporated in December 1998 and Melbourne Holdings Limited subscribed £25 for 25 £1 shares. South Lincs Produce Limited had not commenced trading or incurred any significant expenses prior to 31 December 1998.



**16 Stocks and work in progress**

|                                     | <b>Group</b> |              | <b>Company</b> |              |
|-------------------------------------|--------------|--------------|----------------|--------------|
|                                     | <b>1998</b>  | <b>1997</b>  | <b>1998</b>    | <b>1997</b>  |
|                                     | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| Raw materials and consumables       | 1,238        | 1,056        | 285            | 98           |
| Work in progress                    | 569          | 304          | 546            | 294          |
| Finished goods and goods for resale | 876          | 983          | 74             | 67           |
|                                     | <u>2,683</u> | <u>2,343</u> | <u>905</u>     | <u>459</u>   |

**17 Debtors**

|  | <b>Group</b> |              | <b>Company</b> |              |
|--|--------------|--------------|----------------|--------------|
|  | <b>1998</b>  | <b>1997</b>  | <b>1998</b>    | <b>1997</b>  |
|  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| <b>Amounts falling due within one year</b> |              |              |                |              |
| Trade debtors                              | 4,477        | 4,232        | 208            | 73           |
| Amounts owed by subsidiary undertakings    | -            | -            | 1,011          | 1,053        |
| Other debtors                              | 193          | 330          | 54             | 276          |
| Prepayments and accrued income             | 195          | 63           | 2              | 4            |
|  | <u>4,865</u> | <u>4,625</u> | <u>1,275</u>   | <u>1,406</u> |

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

|  | <b>Group</b> |              | <b>Company</b> |              |
|--|--------------|--------------|----------------|--------------|
|  | <b>1998</b>  | <b>1997</b>  | <b>1998</b>    | <b>1997</b>  |
|  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b> |
| Bank loan (see note 19)                                      | 71           | 71           | 71             | 71           |
| Director's loan  | 10           | 191          | -              | 89           |
| Obligations under finance leases and hire purchase contracts | 152          | 133          | 20             | 25           |
| Trade creditors  | 3,280        | 2,786        | 178            | 131          |
| Amounts owed to subsidiary undertakings                      | -            | -            | 512            | 57           |
| Corporation tax payable                                      | 323          | 439          | 38             | 88           |
| Other taxation and social security                           | 379          | 169          | 130            | 7            |
| Other creditors  | 28           | 32           | 4              | 15           |
| Accruals and deferred income                                 | 339          | 220          | 10             | 8            |
| Advanced corporation tax                                     | -            | 43           | -              | 40           |
| Dividends payable  | 27           | 18           | -              | -            |
|  | <u>4,609</u> | <u>4,102</u> | <u>963</u>     | <u>531</u>   |

The director's loan from J L Priestley is unsecured and interest free.

**19 Creditors: amounts falling due after more than one year**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 1998<br>£'000 | 1997<br>£'000 | 1998<br>£'000 | 1997<br>£'000 |
| Obligations under finance leases<br>and hire purchase contracts | 151           | 110           | 25            | 7             |
| Bank loan   | 30            | 101           | 30            | 101           |
|   | <u>181</u>    | <u>211</u>    | <u>55</u>     | <u>108</u>    |

A loan of £101,000 is secured by a mortgage over specific fixed assets of the company (1997: £172,000).

**Finance leases and hire purchase contracts**

The net obligations are:

|                            | Group         |               | Company       |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 1998<br>£'000 | 1997<br>£'000 | 1998<br>£'000 | 1997<br>£'000 |
| Within one year            | 152           | 133           | 20            | 25            |
| Between one and two years  | 98            | 82            | 14            | 7             |
| Between two and five years | 53            | 28            | 11            | -             |
|                            | <u>303</u>    | <u>243</u>    | <u>45</u>     | <u>32</u>     |

**Bank loans**

Repayable as follows:

|                            | Group         |               | Company       |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 1998<br>£'000 | 1997<br>£'000 | 1998<br>£'000 | 1997<br>£'000 |
| Within one year            | 71            | 71            | 71            | 71            |
| Between one and two years  | 30            | 71            | 30            | 71            |
| Between two and five years | -             | 30            | -             | 30            |
|                            | <u>101</u>    | <u>172</u>    | <u>101</u>    | <u>172</u>    |

**20 Deferred taxation**
**Group**

|                         | £'000 |
|-------------------------|-------|
| At 1 January 1998       | 194   |
| Profit and loss account | 21    |
|                         | <hr/> |
| At 31 December 1998     | 215   |
|                         | <hr/> |

**Company**

|                         | £'000 |
|-------------------------|-------|
| At 1 January 1998       | 64    |
| Profit and loss account | 16    |
|                         | <hr/> |
| At 31 December 1998     | 80    |
|                         | <hr/> |

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

**Group**

|  | Amount provided |       | Total potential liability |       |
|--|-----------------|-------|---------------------------|-------|
|  | 1998            | 1997  | 1998                      | 1997  |
|  | £'000           | £'000 | £'000                     | £'000 |
| Tax effect of timing differences because of excess of tax allowances over depreciation | 215             | 194   | 180                       | 165   |
|  | <hr/>           | <hr/> | <hr/>                     | <hr/> |

**Company**

|  | Amount provided |       | Total potential liability |       |
|--|-----------------|-------|---------------------------|-------|
|  | 1998            | 1997  | 1998                      | 1997  |
|  | £'000           | £'000 | £'000                     | £'000 |
| Tax effect of timing differences because of excess of tax allowances over depreciation | 80              | 64    | 180                       | 165   |
|  | <hr/>           | <hr/> | <hr/>                     | <hr/> |

**21 Called up share capital**

|   | 1998   | 1997   |
|---|--------|--------|
|   | £      | £      |
| <b>Authorised</b>                         |        |        |
| 10,000 ordinary shares of £1 each         | 10,000 | 10,000 |
|   | <hr/>  | <hr/>  |
| <b>Allotted, called up and fully paid</b> |        |        |
| 9,021 ordinary shares of £1 each          | 9,021  | 9,021  |
|   | <hr/>  | <hr/>  |

**22 Reserves**

|  | Revaluation<br>reserve | Profit<br>and loss<br>account |
|--|------------------------|-------------------------------|
|  | £'000                  | £'000                         |
| <b>Group</b>   |                        |                               |
| At 1 January 1998  | 1,128                  | 6,155                         |
| Transfer from revaluation reserve to profit and loss account | (8)                    | 8                             |
| Retained profit for the year                                 | -                      | 703                           |
|  | <hr/>                  | <hr/>                         |
| <b>At 31 December 1998</b>                                   | <b>1,120</b>           | <b>6,866</b>                  |
|  | <hr/> <hr/>            | <hr/> <hr/>                   |
| <b>Company</b>   |                        |                               |
| At 1 January 1998  | 1,128                  | 5,284                         |
| Transfer from revaluation reserve to profit and loss account | (8)                    | 8                             |
| Retained profit for the year                                 | -                      | 722                           |
|  | <hr/>                  | <hr/>                         |
| <b>At 31 December 1998</b>                                   | <b>1,120</b>           | <b>6,014</b>                  |
|  | <hr/> <hr/>            | <hr/> <hr/>                   |

**23 Reconciliation of movement in shareholders' funds**

|                                     | 1998<br>£'000 | 1997<br>£'000 |
|-------------------------------------|---------------|---------------|
| Profit for the financial year       | 703           | 1,032         |
| Dividends                           | -             | (160)         |
|                                     | <hr/>         | <hr/>         |
| Net addition to shareholders' funds | 703           | 872           |
| Opening shareholders' funds         | 7,292         | 6,420         |
|                                     | <hr/>         | <hr/>         |
| Closing shareholders' funds         | 7,995         | 7,292         |
|                                     | <hr/> <hr/>   | <hr/> <hr/>   |

**24 Reconciliation of operating profit to net cash inflow from operating activities**

|   | 1998<br>£'000 | 1997<br>£'000 |
|---|---------------|---------------|
| <b>Continuing activities</b>                                |               |               |
| Operating profit  | 1,156         | 1,639         |
| Depreciation on tangible fixed assets                       | 392           | 343           |
| (Gain) on sale of tangible fixed assets                     | (38)          | (23)          |
| (Increase)/decrease in stocks                               | (340)         | 225           |
| (Increase) in debtors                                       | (265)         | (426)         |
| Increase/(decrease) in creditors                            | 635           | (343)         |
|   | <hr/>         | <hr/>         |
| <b>Net cash inflow from continuing operating activities</b> | <b>1,540</b>  | <b>1,415</b>  |
|   | <hr/> <hr/>   | <hr/> <hr/>   |

**25 Reconciliation of net cashflow to movement in net debt**

|  | 1998<br>£'000 | 1997<br>£'000 |
|--|---------------|---------------|
| Increase in cash in the year                 | 535           | 321           |
| Cash outflow from decreases in debt          | 249           | 263           |
| Changes in net debt resulting from cashflows | 784           | 584           |
| Other non cash items                         |               |               |
| New hire purchase contracts                  | (238)         | (196)         |
| Movement in net debt in the period           | 546           | 388           |
| Net debt at 1 January                        | (190)         | (578)         |
| Net debt at 31 December                      | 356           | (190)         |

**26 Analysis of debt**

|                          | At 1 January<br>1998<br>£'000 | Cashflow<br>£'000 | Other non<br>cash changes<br>£'000 | At 31<br>December<br>1998<br>£'000 |
|--------------------------|-------------------------------|-------------------|------------------------------------|------------------------------------|
| <b>Net Cash</b>          |                               |                   |                                    |                                    |
| Cash at bank and in hand | 225                           | 535               | -                                  | 760                                |
| <b>Net debt</b>          |                               |                   |                                    |                                    |
| Debt due after one year  | (101)                         | 71                | -                                  | (30)                               |
| Debt due within one year | (71)                          | -                 | -                                  | (71)                               |
| Hire purchase contracts  | (243)                         | 178               | (238)                              | (303)                              |
|                          | (190)                         | 784               | (238)                              | 356                                |

**27 Contingent liabilities**

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 1998<br>£'000 | 1997<br>£'000 | 1998<br>£'000 | 1997<br>£'000 |
| Forward purchase contracts with suppliers                               |               | 1,132         | -             | -             |
| Amount of guarantee in respect of bank overdrafts of group undertakings | -             | -             | 1,895         | 1,530         |