

Derwent Valley Foods Limited

Reports and Accounts

31 December 1994



Derwent Valley Foods Limited

Registered No: 1610067

DIRECTORS

A G Clark

A D Frew

SECRETARY

A D Frew

AUDITORS

Ernst & Young

Norham House

12 New Bridge Street West

Newcastle upon Tyne

NE1 8AD

REGISTERED OFFICE

Church Road

West Drayton

Middlesex

UB7 7PR

DIRECTORS' REPORT

DIRECTORS

A G Clark

A D Frew

The directors present their report for the 52 weeks ended 31st December 1994.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company during the year was the manufacture and sale of a wide range of extruded and fried snack foods. The directors are satisfied with the results for the year.

On 31 December 1994, the trade and assets of the Company were transferred to United Biscuits (UK) Limited (Company Number: 2506007), a fellow subsidiary undertaking of United Biscuits (Holdings) plc.

FUTURE DEVELOPMENTS

The United Biscuits group is looking forward to further expanding the Derwent Valley business through its KP distribution channels.

FIXED ASSETS

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

RESULTS AND DIVIDENDS

The profit for the year after taxation is £1,015,295. On 19 December 1994, an interim dividend of £360,000 was paid and a final dividend of £725,000 was proposed.

DIRECTORS

The names of the present directors are as stated above, both directors served throughout the year. In accordance with the articles of association, they remain in office.

No director had, during the year or at the end of the year, any material interest in any contract significant to the Company's business.

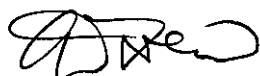
The interests of the directors and their families in the share capital of the ultimate parent company, United Biscuits (Holdings) plc, at the beginning and end of the year are as set out in that company's director's report.

During the year the group maintained liability for the directors and officers of the company.

AUDITORS

On 7th January 1994 the Company passed an elective resolution dispensing with the requirement to annually re-appoint the auditors. It is the intention of the directors that Ernst & Young continue to serve as auditors to the Company.

By order of the Board



A D Frew

Secretary

24 March 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS**to the members of Derwent Valley Foods Limited**

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

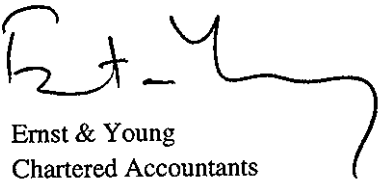
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1994 and of the results of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Newcastle upon Tyne

24 March 1995

Derwent Valley Foods Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

		Year ended 31 December 1994 £	9 month period ended 1 January 1994 £
	Notes		
TURNOVER	2	25,072,513	16,006,256
Cost of sales		(13,738,298)	(8,718,793)
GROSS PROFIT		11,334,215	7,287,463
Distribution, selling and marketing costs		(7,457,115)	(4,102,585)
Administration expenses		(1,343,799)	(1,239,551)
		2,533,301	1,945,327
Other operating income	6	19,901	320,127
OPERATING PROFIT	3a	2,553,202	2,265,454
Interest receivable		-	337
Interest payable	7	(35,843)	(83,099)
		(35,843)	(82,762)
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		2,517,359	2,182,692
Costs of fundamental restructuring	3b	(1,254,911)	(1,217,019)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,262,448	965,673
Tax on profit on ordinary activities	8	(247,153)	(57,214)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,015,295	908,459
Dividends	9	(1,085,000)	-
RETAINED LOSS FOR THE YEAR		(69,705)	908,459
Retained profit brought forward		1,348,319	439,860
Retained profit carried forward		£1,278,614	£1,348,319

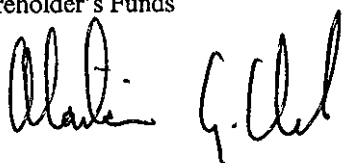
There were no other recognised gains or losses.

Derwent Valley Foods Limited

BALANCE SHEET

at 31 December 1994

	Notes	31 December 1994 £	1 January 1994 £
FIXED ASSETS			
Tangible assets	10	-	4,106,349
CURRENT ASSETS			
Stocks	11	-	1,163,258
Debtors	12	3,819,582	5,072,557
Cash at bank and in hand		-	283
		3,819,582	6,236,098
CREDITORS: amounts falling due within one year	13	(2,427,468)	(8,284,965)
NET CURRENT ASSETS/(LIABILITIES)		1,392,114	(2,048,867)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,392,114	2,057,482
CREDITORS: amounts falling due after more than one year	14	-	(250,329)
PROVISIONS FOR LIABILITIES AND CHARGES	16	-	(345,334)
		<u>£1,392,114</u>	<u>£1,461,819</u>
CAPITAL AND RESERVES			
Called up equity share capital	17	67,858	67,858
Share premium account	18	45,642	45,642
Profit and loss account	18	1,278,614	1,348,319
Shareholder's Funds		<u>£1,392,114</u>	<u>£1,461,819</u>



A G Clark Director

24 March 1995

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

The company has not produced a cash flow statement as the ultimate holding company United Biscuits (Holdings) plc has prepared a consolidated cash flow statement complying with FRS1.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Land and buildings	-	1.5% unless short leasehold
Short leasehold premises	-	over the life of the lease
Plant and machinery	-	3-15%
Motor vehicles	-	20-30%
Fixtures and fittings	-	10-33%

Deferred government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pension Costs

The company operated a defined contribution pension scheme which ceased to receive contributions from 30 November 1993. Contributions were charged to the profit and loss account as they became payable in accordance with the rules of the scheme. With effect from 1 December 1993, employees were offered membership of the United Biscuits Pension Plan. The expected cost of the plan is charged to the profit and loss account over the service lives of employees. Variations from regular cost are spread over the expected remaining lives of the relevant employees.

Research and development expenditure

Expenditure on research and development is written off as incurred.

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

1. ACCOUNTING POLICIES(continued)

Exceptional items

Items which are of an exceptional nature by virtue of their size or incidence are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the company, or profits or losses on disposal of fixed assets. In these cases, separate disclosure is provided in the profit and loss account after operating profit.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

2. TURNOVER

Turnover represents the amounts invoiced to third parties during the year, stated net of value added tax.

Turnover and profit on ordinary activities before taxation are analysed as follows:

	<i>Year ended</i> <i>31 December 1994</i>		<i>9 month</i> <i>period ended</i> <i>1 January 1994</i>	
	<i>Turnover</i>	<i>Attributable</i> <i>pre-tax profit</i>	<i>Turnover</i>	<i>Attributable</i> <i>pre-tax profit</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
By geographical market:				
UK	24,090	1,203	15,348	890
Other	983	59	658	76
	<u>25,073</u>	<u>1,262</u>	<u>16,006</u>	<u>966</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

3a. OPERATING PROFIT

This is stated after charging/(crediting):

	<i>Year ended</i> <i>31 December 1994</i>	<i>9 month</i> <i>period ended</i> <i>1 January 1994</i>
	£	£
Auditors' remuneration	18,312	11,500
Depreciation of owned fixed assets	563,287	390,920
Depreciation of assets held under finance leases and hire purchase contracts	115,575	125,539
Operating lease rentals:		
- plant and machinery	210,422	163,962
- land and buildings	100,514	75,402
Government grants release	(88,218)	(78,870)

3b. RESTRUCTURING COSTS

Restructuring costs relate primarily to advertising and redundancy costs attributable to the integration with K P Foods Group.

4. DIRECTORS' REMUNERATION

The directors did not receive any remuneration from the company during the year (1 January 1994:£Nil).

5. STAFF COSTS

	<i>Year ended</i> <i>31 December</i> <i>1994</i>	<i>9 month</i> <i>period ended</i> <i>1 January</i> <i>1994</i>
	£	£
Wages and salaries	3,533,396	3,278,448
Social security costs	256,336	271,235
Other pension costs	188,462	117,786
	<u>£3,978,194</u>	<u>£3,667,469</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

5. STAFF COSTS (continued)

The average weekly number of employees during the year was as follows:

	<i>Year ended</i> <i>31 December 1994</i>	<i>9 month</i> <i>period ended</i> <i>1 January 1994</i>
	<i>No.</i>	<i>No.</i>
Management	24	22
Administration	19	19
Production and sales	202	197
	<u>245</u>	<u>238</u>

6. OTHER OPERATING INCOME

Other operating income comprises settlement of an insurance claim. Prior year income relates to sales commission.

7. INTEREST PAYABLE

	<i>Year ended</i> <i>31 December 1994</i>	<i>9 month</i> <i>period ended</i> <i>1 January 1994</i>
	<i>£</i>	<i>£</i>
Bank loans, overdrafts and other loans wholly repayable within five years	29,997	82,044
Finance charges payable under finance leases	3,167	946
Other	2,679	109
	<u>£35,843</u>	<u>£83,099</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>Year ended</i> <i>31 December 1994</i>	<i>9 month</i> <i>period ended</i> <i>1 January 1994</i>
	<i>£</i>	<i>£</i>
Based on the profit for the year:		
UK corporation tax at 33%	480,000	50,000
Tax (over)/underprovided in previous years:		
Corporation tax	(1,847)	7,214
Deferred taxation	(231,000)	-
	<u>£247,153</u>	<u>£57,214</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

9. DIVIDENDS

	Year ended 31 December 1994	9 month period ended 1 January 1994
On ordinary shares of £1 each	<u>£1,085,000</u>	<u>£-</u>

10. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £	Freehold land and buildings £	Plant and machinery		Total £
			Leased £	Owned £	
Cost:					
At 1 January 1994	807,830	2,325,979	1,592,658	3,702,041	8,428,508
Additions	-	-	-	483,057	483,057
Transfers from Group Companies	-	-	-	110,557	110,557
Transfers to Group Companies	(807,830)	(2,325,979)	(1,592,658)	(4,275,545)	(9,002,012)
Disposals	-	-	-	20,110	20,110
At 31 December 1994	-	-	-	-	-
Depreciation:					
At 1 January 1994	325,766	291,229	1,404,701	2,300,463	4,322,159
Transfers from Group Companies	-	-	-	51,309	51,309
Transfers to Group Companies	(379,389)	(325,600)	(1,520,276)	(2,817,749)	(5,043,014)
On disposals	-	-	-	(9,316)	(9,316)
Charge for period	53,623	34,371	115,575	475,293	678,862
At 31 December 1994	-	-	-	-	-
Net book value:					
At 31 December 1994	<u>£-</u>	<u>£-</u>	<u>£-</u>	<u>£-</u>	<u>£-</u>
At 1 January 1994	<u>£482,064</u>	<u>£2,034,750</u>	<u>£187,957</u>	<u>£1,401,578</u>	<u>£4,106,349</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

11. STOCKS

	<i>31 December</i> 1994	<i>1 January</i> 1994
	£	£
Raw materials	-	717,428
Finished goods and goods for resale	-	445,830
	<u>£-</u>	<u>£1,163,258</u>

12. DEBTORS

	<i>31 December</i> 1994	<i>1 January</i> 1994
	£	£
Trade debtors	-	2,517,642
Amounts owed by fellow subsidiary undertakings	3,819,582	1,849,659
Other debtors	-	379,617
Prepayments and accrued income	-	109,880
Current corporation tax	-	215,759
	<u>£3,819,582</u>	<u>£5,072,557</u>

13. CREDITORS: amounts falling due within one year

	<i>31 December</i> 1994	<i>1 January</i> 1994
	£	£
Bank overdraft	-	2,148,410
Term loans	-	125,000
Obligations under finance leases (note 15)	-	31,592
Trade creditors	-	1,635,341
Amounts owed to fellow subsidiary undertakings	2,377,326	3,358,167
Group relief payable to fellow subsidiary undertakings	50,142	50,142
Other taxes and social security costs	-	90,470
Other creditors	-	179,960
Accruals and deferred income	-	665,883
	<u>£2,427,468</u>	<u>£8,284,965</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS for the year ended 31 December 1994

14. CREDITORS: amounts falling due after more than one year

	<i>31 December 1994</i>	<i>1 January 1994</i>
	£	£
Term loans due in more than one year	-	250,000
Obligations under finance leases	-	329
	<u>£-</u>	<u>£250,329</u>

15. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	<i>31 December 1994</i>	<i>1 January 1994</i>
	£	£
Amounts payable:		
Within one year	-	33,082
Within two to five years	-	562
	<u>-</u>	<u>33,644</u>
Less: finance charges allocated to future periods	-	(1,723)
	<u>£-</u>	<u>£31,921</u>
Finance leases are analysed as follows:		
Current obligations	-	31,592
Non-current obligations	-	329
	<u>£-</u>	<u>£31,921</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>31 December</i> 1994	<i>1 January</i> 1994
	£	£
Deferred taxation	-	231,000
Government grants	-	114,334
	<u>£-</u>	<u>£345,334</u>

Provision has been made for deferred taxation at 33% as set out below:

	<i>31 December</i> 1994	<i>1 January</i> 1994
	£	£
Accelerated capital allowances	-	219,000
Other timing differences	-	12,000
	<u>£-</u>	<u>£231,000</u>

17. CALLED UP EQUITY SHARE CAPITAL

	<i>31 December</i> 1994	<i>Authorised</i> <i>1 January</i> 1994	<i>Allotted, called up</i> <i>and fully paid</i> <i>31 December</i> 1994	<i>1 January</i> 1994
	No.	No.	£	£
Ordinary shares of £1 each	<u>70,000</u>	<u>70,000</u>	<u>£67,858</u>	<u>£67,858</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>Share</i> <i>capital</i> £	<i>Share</i> <i>premium</i> £	<i>Profit and</i> <i>loss account</i> £	<i>Total</i> £
At 29 March 1993	67,858	45,642	439,860	553,360
Profit for the period	-	-	908,459	908,459
At 1 January 1994	<u>67,858</u>	<u>45,642</u>	<u>1,348,319</u>	<u>1,461,819</u>
Profit for the year	-	-	1,015,295	1,015,295
Dividends	-	-	(1,085,000)	(1,085,000)
At 31 December 1994	<u>£67,858</u>	<u>£45,642</u>	<u>£1,278,614</u>	<u>£1,392,114</u>

Derwent Valley Foods Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 1994

19. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1994 (1 January 1994: £Nil).

20. OTHER FINANCIAL COMMITMENTS

At 31 December 1994 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 1994		1 January 1994	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	73,744
Within two to five years	-	-	-	101,378
In over five years	-	-	100,000	-
	<u>£-</u>	<u>£-</u>	<u>£100,000</u>	<u>£175,122</u>

Leases of land and buildings are subject to periodic rent reviews.

21. PENSION SCHEMES

Contributions to the Derwent Valley Foods Group pension schemes comprising a contracted out scheme and a defined contribution pension scheme have now ceased. The assets of the schemes are in funds held separately from those of the group.

The company now participates in the United Biscuits Pension Schemes. The principal pension scheme is of the defined benefit type funded by payments to a separate trustee administered fund. The latest actuarial valuation of the scheme was carried out by an independent qualified actuary during 1994.

The main actuarial assumptions were as follows:

Investment return per annum	9%
Wages and salaries increases per annum	7%
Pension increases per annum	5%

The attained age actuarial method was used. The total market value of the schemes' assets, at the date of the last valuation, together with their funding level as a percentage of accrued benefit liabilities, was £441m (101%).

The pension cost for the year represents contributions payable by the company to the schemes and amounted to £188,462 (1 January 1994: £177,786).

22. ULTIMATE PARENT COMPANY

The ultimate parent company is United Biscuits (Holdings) plc which is incorporated in Scotland. Copies of the group accounts can be obtained from Church Road, West Drayton, Middlesex, UB7 7PR.