

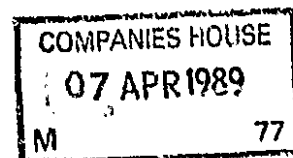
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DIRECTORS' REPORT AND ACCOUNTS

NFT DISTRIBUTION LIMITED

31 MARCH 1988

 Ernst & Whinney



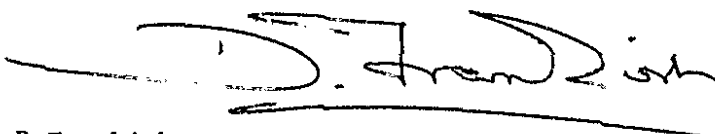
NFT DISTRIBUTION LIMITED

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of NFT Distribution Limited will be held at Stubley Lane, Dronfield, Nr Sheffield on 4 July 1988 to transact the following business:

- 1 To receive and adopt the directors' report and the audited accounts for the year ended 31 March 1988.
- 2 To reappoint the auditors.
- 3 To authorise directors to fix the remuneration of auditors.

By order of the board



D Frankish

Secretary

Stubley Lane
Dronfield
SHEFFIELD
S18 6PF

13 June 1988

NOTE

Any member of the company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

NFT DISTRIBUTION LIMITED

DIRECTORS' REPORT

Directors: J L Boatman (Managing Director)
J T Blackburn
Miss E J Moss

Secretary: D Frankish

The directors present their report and the audited accounts for the year ended 31 March 1988.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The activities of the company consist of the purchase, storage and distribution of chilled products.

NFT Distribution reported a good operating profit increase. Facilities at Dronfield and Chobham were extended to cope with more business from J Sainsbury and the company is now developing an important role in primary distribution for other Northern Foods companies. An encouraging start has been made to the new financial year.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £481,073 and is dealt with as shown in the profit and loss account.

An interim dividend of £536,161 was paid on 27 May 1988. The directors do not recommend the payment of a final dividend.

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

As part of the reorganisation of the UK Operations of Northern Foods PLC into four main operating groups the trade and trading assets of the company were transferred at book value to Northern Dairies Limited (to be renamed Northern Foods Dairy Group Limited) as at 3 April 1988. At that date the company ceased to trade.

DIRECTORS

The directors of the company during the year ended 31 March 1988 were Mr C J Ball, Mr J L Boatman, Mr J T Blackburn and Miss E J Moss.

Mr C J Ball resigned as a director of NFT Distribution Limited on 30 September 1987.

NFT DISTRIBUTION LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register maintained as required under the Companies Act 1985 no director in office at 31 March 1988 had any interest in the share capital of the company.

Directors' interests in the share capital of the ultimate holding company are as follows:-

Directors	Description of interest	Ordinary shares	
		31 March 1988	31 March 1987
J L Boatman	Beneficial	-	-
J T Blackburn	Beneficial	355	1,652
Miss E J Moss	Beneficial	30,182	3,627

EMPLOYMENT OF DISABLED PEOPLE

The company supports the employment of disabled people wherever possible, in recruitment, by retention of those who become disabled during their employment, and generally through training, career development and promotion.

EMPLOYEE CONSULTATION

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the group newspaper, and a special edition of the annual group accounts for employees. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

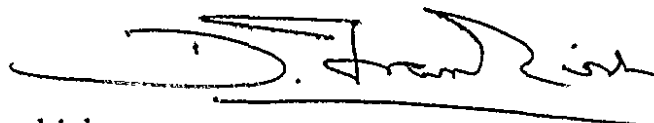
NFT DISTRIBUTION LIMITED

DIRECTORS' REPORT

AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board



D Frankish

Secretary

13 June 1988



REPORT OF THE AUDITORS TO THE MEMBERS OF NFT DISTRIBUTION LIMITED

We have audited the accounts set out on pages 6 to 13 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1988 and of the profit for the year then ended and comply with the Companies Act 1985.

The company has not complied with the requirement of Statement of Standard Accounting Practice No. 10 in that it has not presented a source and application of funds statement.

A handwritten signature in cursive script that reads 'Ernst & Whinney'.

Ernst & Whinney

HULL

13 June 1988

NFT DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1988

	Note	1988 £	1987 £
TURNOVER	2	42,011,190	30,157,635
Cost of sales		(27,974,818)	(21,362,794)
GROSS PROFIT		14,036,372	8,794,841
Distribution costs		(11,769,290)	(6,942,616)
Administrative expenses		(1,336,527)	(1,028,952)
OPERATING PROFIT	3	930,555	823,273
Interest payable	6	(226,157)	(92,312)
PROFIT BEFORE TAXATION		704,398	730,961
Taxation	7	(223,325)	(290,841)
PROFIT AFTER TAXATION		481,073	440,120
Dividends	8	(536,161)	(440,120)
REDUCTION IN RETAINED PROFIT FOR THE YEAR		£(55,088)	£-

STATEMENT OF RETAINED PROFITS

Balance at 31 March 1987	55,088	55,088
Reduction in retained profit for the year	(55,088)	-
Balance at 31 March 1988	£-	£55,088

NFT DISTRIBUTION LIMITED

BALANCE SHEET - 31 MARCH 1988

	Note	1988 £	1987 £
FIXED ASSETS			
Tangible assets	9	1,962,318	1,107,810
CURRENT ASSETS			
Stocks	10	222,073	222,165
Debtors	11	6,385,279	5,125,457
Cash in hand		152,769	862
		<hr/>	<hr/>
		6,760,121	5,348,484
CREDITORS - amounts falling due within one year	12	8,498,872	6,262,206
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,738,751)	(913,722)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		223,567	194,088
CREDITORS - amounts falling due after more than one year	13	119,567	-
		<hr/>	<hr/>
		104,000	194,088
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	103,000	138,000
		<hr/>	<hr/>
TOTAL ASSETS LESS LIABILITIES		£1,000	£56,088
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	15	1,000	1,000
Profit and loss account		-	55,088
J T Blackburn)			
J L Boatman) Directors			
13 June 1988			
		<hr/>	<hr/>
		£1,000	£56,088
		<hr/>	<hr/>

NFT DISTRIBUTION LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Depreciation

The cost of tangible fixed assets is depreciated by equal quarterly instalments over their expected useful lives as follows:

Plant and equipment	3 to 9 years
Motor vehicles and equipment	4 years

(c) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

(d) Deferred taxation

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

(e) Leased assets

Rentals in respect of operating leases are charged to the profit and loss account as incurred.

2 TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT. The turnover, all of which relates to the same class of business and all of which is derived from the United Kingdom, is as follows:

	1988	1987
	£	£
Sales to third parties	32,428,421	23,007,825
Sales to group companies	9,582,769	7,149,810
	<hr/>	<hr/>
	£42,011,190	£30,157,635
	<hr/>	<hr/>

3 OPERATING PROFIT is stated after charging:

	1988	1987
	£	£
Depreciation of tangible fixed assets	420,761	249,052
Auditors' remuneration	10,000	8,000
Hire of plant and vehicles	2,097,472	1,348,758
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NFT DISTRIBUTION LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

4 EMOLUMENTS OF DIRECTORS

	1988	1987
Management remuneration, including pension contributions	£47,644	£38,183

The emoluments, excluding pension contributions, of directors of the company are detailed as follows:

	1988 £	1987 £
Chairman	-	-
Highest paid director	43,819	35,183
Number of directors		
Other directors in scale		
Not more than £5,000	2	2

5 EMPLOYEES

	1988 £	1987 £
Staff costs		
Wages and salaries	5,108,903	3,276,783
Social security costs	478,121	282,421
Other pension costs	148,827	109,756
	£5,735,851	£3,668,960

The average weekly number of employees during the year was:

	1988 Number	1987 Number
Selling and distribution	336	252
Administration	59	49
	395	301

6 INTEREST PAYABLE

	1988	1987
Group finance charge payable	£226,157	£92,312

NFT DISTRIBUTION LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

7 TAXATION

The (charge)/credit based on the results of the year comprises:

	1988 £	1987 £
Corporation tax payable		
- current year	(258,094)	(314,055)
- prior year adjustment	(231)	(1,786)
Transfer from deferred tax		
- current year	35,000	25,000
	<hr/>	<hr/>
	£(223,325)	£(290,841)
	<hr/>	<hr/>

8 DIVIDENDS

	1988	1987
Ordinary - interim paid 27 May 1988	£536,161	£440,120
	<hr/>	<hr/>

9 TANGIBLE FIXED ASSETS

	Plant, machinery & equipment £
Cost	
At 31 March 1987	1,962,762
Additions	845,098
Group transfers	1,412,968
Disposals	(142,142)
	<hr/>
At 31 March 1988	4,078,686
	<hr/>
Depreciation	
At 31 March 1987	854,952
Depreciation on group transfers	953,490
Charge for the year	420,761
Relating to disposals	(.12,835)
	<hr/>
At 31 March 1988	2,116,368
	<hr/>
Net book amounts at	
31 March 1988	£1,962,318
	<hr/>
31 March 1987	£1,107,810
	<hr/>

At 31 March 1988, plant, fixtures and vehicles includes capitalised leases at a cost of £241,828 and depreciation of £61,153 (1987 - £nil and £nil).

NFT DISTRIBUTION LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

10 STOCKS

Stocks comprise goods for resale and diesel stocks. The replacement cost of stocks is not significantly different from the balance sheet value.

11 DEBTORS

	1988 £	1987 £
Amounts falling due within one year:		
Trade debtors	3,525,825	2,959,298
Amounts owed by group companies	1,030,706	518,745
Other debtors	11,656	9,972
Prepayments and accrued income	150,775	99,379
	<hr/>	<hr/>
	4,718,962	3,587,394
Amounts falling due after more than one year:		
Amounts owed by ultimate holding company	1,666,317	1,538,063
	<hr/>	<hr/>
	£6,385,279	£5,125,457
	<hr/>	<hr/>

12 CREDITORS - amounts falling due within one year

	1988 £	1987 £
Bank overdraft	-	143,736
Trade creditors	4,146,251	3,151,812
Amounts owed to ultimate holding company	2,528,840	1,687,803
Amounts owed to group companies	661,495	516,105
Social security and PAYE	146,089	74,265
Other creditors	407,299	41,344
Accruals	307,101	331,300
UK corporation tax payable	258,325	315,841
Obligations under finance leases	43,472	-
	<hr/>	<hr/>
	£8,498,872	£6,262,206
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NPT DISTRIBUTION LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

13 CREDITORS - amounts falling due
after more than one year

	1988 £	1987 £
Obligations under finance leases:		
Amounts due within one to two years	47,157	-
Amounts due within two to five years	72,410	-
	<hr/>	<hr/>
	£119,567	£-
	<hr/>	<hr/>

14 DEFERRED TAXATION

	1988 £	1987 £
At 31 March 1987	138,000	163,000
Transfer to profit and loss account	(35,000)	(25,000)
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At 31 March 1988	£103,000	£138,000
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The provision is made in respect of accelerated capital allowances.

The full potential liability computed at the expected long term corporation tax rate of 35% (1987 - 35%) amounts to £279,705 (1987 - £222,520).

15 CALLED UP SHARE CAPITAL

	Authorised, allotted and fully paid	
	1988	1987
Ordinary shares of £1 each	£1,000	£1,000
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NFT DISTRIBUTION LIMITED

NOTES ON THE ACCOUNTS - 31 MARCH 1988

16 FINANCIAL COMMITMENTS

(a) Capital

At 31 March 1988 authorised future capital expenditure, before deduction of available government grants, amounted to:

	1988 £	1987 £
Contracted	187,400	819,400
Not contracted	-	345,000
	<hr/>	<hr/>
	£187,400	£1,164,400
	<hr/>	<hr/>

(b) Lease

At 31 March 1988 the company has annual commitments under non-cancellable operating leases as follows:

	1988 £	1987 £
Leases expiring:		
Within one year	115,330	16,695
Within two to five years	1,066,690	667,701
Thereafter	551,600	90,584
	<hr/>	<hr/>
	£1,733,620	£774,980
	<hr/>	<hr/>

17 CONTINGENT LIABILITIES

The company, together with the ultimate holding company and certain fellow subsidiaries, has entered into guarantees with Midland Bank plc in respect of overdrafts of all other parties to the guarantee. At 31 March 1988 these overdrafts amounted to fnil.

18 SUBSEQUENT EVENTS

As part of the reorganisation of the UK Operations of Northern Foods PLC into four main operating groups the trade and trading assets of the company were transferred at book value to Northern Dairies Limited (to be renamed Northern Foods Dairy Group Limited) as at 3 April 1988. At that date the company ceased to trade.

19 STATEMENT OF SOURCE AND APPLICATION OF FUNDS - SSAP 10

The company is a wholly owned subsidiary of Northern Foods PLC and its financing is arranged on a group basis. The statement of source and application of funds is therefore not shown because, in the opinion of the directors, it would not be meaningful in the accounts of this company.

20 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Northern Foods PLC which is incorporated in Great Britain.