

61700147

NFT Distribution Limited

Report and Accounts

31 March 1997

 ERNST & YOUNG



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of NFT Distribution Limited will be held at Azalea Close, Clover Nook Industrial Estate, Somercotes, Alfreton, Derbyshire, on 16 December 1997 to transact the following business:

- 1 To receive and adopt the directors' report and the audited accounts for the year ended 31 March 1997.
- 2 To re-appoint the auditors.
- 3 To authorise the directors to fix the remuneration of the auditors.

By order of the Board



E Timmins
Secretary

Azalea Close
Clover Nook Industrial Estate
Somercotes
Alfreton
Derbyshire
DE55 4QX

19 November 1997

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.

DIRECTORS

D Frankish
J M J Dicks

SECRETARY

E R Timmins

AUDITORS

Ernst & Young
PO Box 3
Lowgate House
Lowgate
Hull HU1 1JJ

REGISTERED OFFICE

Azalea Close
Clover Nook Industrial Estate
Somercoates
Alfreton
Derbyshire
DE55 4QX

DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The activities of the company consist of the storage and distribution of chilled and ambient food products.

RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £1,405,424 and is dealt with as shown in the profit and loss account. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors of the company are those listed on page 2. Mr D Frankish was appointed on 3 April 1996 and Mr J M J Dicks was appointed on 31 August 1996. In addition, Mr J L Boatman was a director until his resignation on 31 August 1996.

DIRECTORS' INTERESTS

According to the register maintained as required under the Companies Act 1985, none of the directors had any beneficial interest in the shares of the company.

The interest of the directors in the share capital of the ultimate parent company, Northern Foods plc were as follows:

	<i>Fully paid ordinary shares of 25p each</i>	
	<i>At 31 March 1997</i>	<i>At 1 April 1996 (or date of appointment if later)</i>
J M J Dicks	14,444	14,444
D Frankish	6,433	6,433

Options granted to, or exercised by, directors during the year ended 31 March 1997 were as follows:

	<i>Options granted</i>	<i>Options exercised</i>
J M J Dicks	34,500	-
D Frankish	22,500	-

DIRECTORS' REPORT

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 period. 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 confirm that the accounts comply with the above requirements.

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.

EQUAL OPPORTUNITIES

The company is committed to equality of opportunity amongst its employees. Recruitment, pay and conditions, training and career development policies are based solely on ability, without regard to gender, race, age, disablement, marital status or religion.

We believe that ensuring fair employment for all our people makes an important contribution to the success of the business and the company is committed to further actions to secure genuine equality of opportunity.

COMMUNICATION AND CONSULTATION

The company uses a variety of methods to enable all its employees to understand the performance of the group and of their own operating company. These include briefing groups, meetings with employee representatives and company newspapers. Employees are consulted on a wide range of issues affecting their current and future interests, and particularly on changes affecting their company.

CHARITABLE DONATIONS

Donations to charitable organisations amounted to £482 (1996 - £1,857).

STATEMENT OF THE COMPANY'S POLICY ON PAYMENT OF COMMERCIAL DEBTS

The company supports the CBI's prompt payment code. Copies of the code may be obtained from the CBI at Centre Point, 103 New Oxford Street, London, WC1A 1DU. Payment terms are agreed with individual suppliers and best endeavours are made to honour this commitment. Trade creditor days at 31 March 1997 were 98 days.

DIRECTORS' REPORT

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the Board



E R Timmins
Secretary

19 November 1997

REPORT OF THE AUDITORS
to the members of NFT Distribution Limited

We have audited the accounts on pages 7 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 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 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Hull

19 November 1997

NFT Distribution Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	Notes	1997 £	1996 £
TURNOVER	2	58,339,437	52,316,587
GROSS PROFIT		58,339,437	52,316,587
Selling and distribution costs		51,363,327	46,572,688
Administrative expenses		4,140,178	3,361,260
OPERATING PROFIT	3	2,835,932	2,382,639
Investment income	6	-	(281)
Interest payable and similar charges	7	145	1,011
Allocated to profit sharing		181,481	147,596
Group finance charges		575,465	626,974
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,078,841	1,607,339
Tax on profit on ordinary activities	8	673,417	978,679
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	1,405,424	628,660

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 1997

There have been no recognised gains or losses other than the retained profit attributable to shareholders of £1,405,424 in the year ended 31 March 1997 (1996 - £628,660).

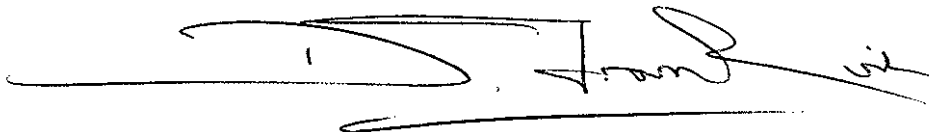
NFT Distribution Limited

BALANCE SHEET

at 31 March 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Intangible assets	9	4,119,454	4,424,586
Tangible assets	10	3,841,971	4,064,923
Investments	11	-	-
		<u>7,961,425</u>	<u>8,489,509</u>
CURRENT ASSETS			
Stocks	12	167,455	186,569
Debtors:			
amounts falling due within one year	13	6,437,071	6,349,916
amounts falling due after more than one year	13	9,621,940	8,294,690
Cash at bank and in hand		1,066,016	544,104
		<u>17,292,482</u>	<u>15,375,279</u>
CREDITORS: amounts falling due within one year	14	17,205,112	14,186,417
NET CURRENT ASSETS		<u>87,370</u>	<u>1,188,862</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,048,795</u>	<u>9,678,371</u>
CREDITORS: amounts falling due after more than one year	15	-	2,976,000
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	16	150,000	209,000
		<u>7,898,795</u>	<u>6,493,371</u>
CAPITAL AND RESERVES			
Called up equity share capital	17	1,000	1,000
Profit and loss account	18	7,897,795	6,492,371
EQUITY SHAREHOLDERS' FUNDS	18	<u>7,898,795</u>	<u>6,493,371</u>

The financial statements were approved by the board of directors on 19 November 1997 and were signed on its behalf by



D Frankish - Director

NOTES TO THE ACCOUNTS
at 31 March 1997

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

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

Plant and equipment	3 to 10 years
Motor vehicles and equipment	3 to 15 years

Stocks

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

Goodwill

Purchased goodwill is amortised through the profit and loss account over twenty years, being the estimated useful economic life.

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.

Leased assets

Assets held under finance leases are capitalised and depreciated in accordance with the policy shown above. Finance charges are spread over the primary lease term in proportion to the capital element outstanding.

Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the period of each lease.

Pension benefits

The costs of providing pensions are charged to the profit and loss account on a consistent basis over the service lives of employees. Such costs are calculated by reference to actuarial valuations and variations from regular costs are spread over the remaining service lives of the current employees. The variations are dealt with in the accounts of the ultimate parent company.

2. TURNOVER

Turnover is attributable to one continuing activity and comprises the invoice value of services supplied by the company exclusive of VAT. Turnover, all of which relates to the same class of business and is derived within the United Kingdom, is as follows:

	1997 £	1996 £
Sales to third parties	43,780,254	35,448,647
Sales to group undertakings	14,559,183	16,867,940
	<u>58,339,437</u>	<u>52,316,587</u>

NOTES TO THE ACCOUNTS
at 31 March 1997

3. OPERATING PROFIT

This is stated after charging:

	1997 £	1996 £
Depreciation of tangible fixed assets (including £2,075 (1996 - £8,745) on assets held under finance leases)	1,160,409	1,240,950
Amortisation of intangible fixed assets	305,132	304,991
Auditors' remuneration	18,114	12,107
Hire of plant and vehicles	6,961,972	7,042,696
Other operating lease charges	1,643,007	1,943,414
	<u> </u>	<u> </u>

Certain fees for non-audit services provided by Ernst & Young to the company have been borne by the ultimate parent company. It is not practicable to ascertain what proportion of such fees relate to the company.

4. EMOLUMENTS OF DIRECTORS

	1997 £	1996 £
Directors remuneration, including pension contributions	133,617	83,871
	<u> </u>	<u> </u>

5. STAFF COSTS

	1997 £	1996 £
Wages and salaries	21,286,642	19,521,681
Social security costs	1,803,032	1,663,585
Other pension costs	916,855	760,150
	<u> </u>	<u> </u>
	24,006,529	21,945,416
	<u> </u>	<u> </u>

The average weekly number of employees during the year was:

	1997 No.	1996 No.
Selling and distribution	971	932
Administration	87	81
	<u> </u>	<u> </u>
	1,058	1,013
	<u> </u>	<u> </u>

6. INVESTMENT INCOME

	1997 £	1996 £
Interest received	-	281
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
at 31 March 1997

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Finance lease charges	145	1,011

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	1997 £	1996 £
UK Corporation tax payable		
Current year at 33% (1996 - 33%)	732,417	992,562
Deferred tax	(59,000)	(42,000)
	673,417	950,562
Adjustments relating to prior years	-	28,117
	673,417	978,679

9. INTANGIBLE FIXED ASSETS

	£
Cost of purchased goodwill:	
At 31 March 1996 and at 31 March 1997	6,102,681
Amortisation of goodwill:	
At 31 March 1996	1,678,095
Charge for the year	305,132
At 31 March 1997	1,983,227
Net book amounts:	
At 31 March 1997	4,119,454
At 31 March 1996	4,424,586

NOTES TO THE ACCOUNTS
at 31 March 1997

10. TANGIBLE FIXED ASSETS

	<i>Plant, equipment and vehicles</i> £
Cost:	
At 31 March 1996	9,987,098
Additions	819,363
Group transfers	90,442
Disposals	(43,464)
At 31 March 1997	10,853,439
Depreciation:	
At 31 March 1996	5,922,175
Charge for the year	1,160,409
Group transfers	(27,652)
Relating to disposals	(43,464)
At 31 March 1997	7,011,468
Net book amounts:	
At 31 March 1997	3,841,971
At 31 March 1996	4,064,923

At 31 March 1997 plant, equipment and vehicles included capitalised leases at a net book amount of £Nil (1996 - £2,075).

11. FIXED ASSET INVESTMENTS

The company holds 3.4% of the ordinary share capital of Trent Transport Training Limited which is incorporated in Great Britain and registered in England and Wales. The principal activity of Trent Transport Training Limited is the provision of industrial training for persons in the road transport industry. The investment has been written down to the directors' estimate of its value.

12. STOCKS

Stocks comprise diesel and heating oils. The replacement cost of stocks is not significantly different from the balance sheet value.

NOTES TO THE ACCOUNTS
at 31 March 1997

13. DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	4,963,151	4,882,462
Amounts due from group undertakings	1,165,652	1,174,560
Other debtors	58,868	116,953
Prepayments and accrued income	249,400	175,941
	<u>6,437,071</u>	<u>6,349,916</u>
Amounts falling due after more than one year:		
Amounts due from group undertakings	9,621,940	8,294,690
	<u>16,059,011</u>	<u>14,644,606</u>

14. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Trade creditors	7,343,246	6,605,947
Amounts due to group undertakings	7,932,650	3,552,105
Other taxes and social security	430,733	436,980
Other creditors	689,466	542,176
Accruals	136,600	2,187,858
Corporation tax	672,417	859,902
Obligations under finance leases	-	1,449
	<u>17,205,112</u>	<u>14,186,417</u>

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

	1997 £	1996 £
Due to group undertakings	-	2,976,000
	<u>-</u>	<u>2,976,000</u>

16. DEFERRED TAXATION

The opening and closing balances on deferred taxation are reconciled as follows:

	£
At 31 March 1996	209,000
Release for the year	(59,000)
At 31 March 1997	<u>150,000</u>

NOTES TO THE ACCOUNTS
at 31 March 1997

16. DEFERRED TAXATION (continued)

The deferred tax liability is analysed as follows:

	1997 £	Provided 1996 £	1997 £	Not provided 1996 £
Accelerated capital allowances	150,000	209,000	330,761	567,257

The full potential liability is the total of the provided and the not provided items.

17. CALLED UP EQUITY SHARE CAPITAL

	1997 £	Authorised, allotted and fully paid 1996 £
Ordinary shares of £1 each	1,000	1,000

18. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 1995	1,000	5,863,711	5,864,711
Retained profit for the year	-	628,660	628,660
At 1 April 1996	1,000	6,492,371	6,493,371
Retained profit for the year	-	1,405,424	1,405,424
At 31 March 1997	1,000	7,897,795	7,898,795

19. PENSIONS

Many of the company's employees are members of the defined benefits scheme operated by the ultimate parent company. This scheme is funded by the payment of contributions into a trust fund which is administered separately from the ultimate parent company.

The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The most recent actuarial valuation of the scheme was carried out as at 31 March 1996. The most significant actuarial assumptions were as follows:-

Rate of return on investments	9.0% pa
Rate of increase in pensionable earnings	6.5% pa
Rate of dividend growth	4.5% pa
Rate of pension increases	3.5% pa

NOTES TO THE ACCOUNTS
at 31 March 1997

19. PENSIONS (continued)

At 31 March 1996 the market value of the scheme's assets was £516.8m and the actuarial value of those assets represented 124% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The benefits arising from the surplus have been accounted for by the ultimate parent company.

The parent undertaking also provides medical benefits for eligible retired employees who had been members of the Northern Foods Healthcare Plan although eligibility for this plan will be withdrawn for employees who retire after 31 March 1999. Further details of the plan are given in the accounts of the ultimate parent undertaking.

20. FINANCIAL COMMITMENTS

At 31 March 1997 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings 1997 £</i>	<i>Other 1997 £</i>	<i>Land and buildings 1996 £</i>	<i>Other 1996 £</i>
Leases expiring:				
Within one year	-	825,997	-	1,380,202
Within two to five years	-	2,763,372	-	2,321,386
After more than five years	1,908,820	1,577,348	2,087,721	383,508
	<u>1,908,820</u>	<u>5,166,717</u>	<u>2,087,721</u>	<u>4,085,096</u>

21. CONTINGENT LIABILITIES

- a) The company, together with the ultimate parent company and certain fellow subsidiary undertakings, has entered into guarantees with Midland Bank PLC in respect of the overdrafts of all other parties to the guarantee. At 31 March 1997 these overdrafts amount to £Nil (1996 - £Nil).
- b) The company, together with certain fellow subsidiary undertakings, is the guarantor in respect of £52 million other bank facilities with Midland Bank PLC and Barclays Bank PLC. At 31 March 1997 the amounts outstanding were £Nil (1996 - £Nil).

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Northern Foods PLC Group.

23. GROUP ACCOUNTS

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Northern Foods PLC, registered in England and Wales. Northern Foods PLC is also the company's ultimate parent company. Copies of Northern Foods PLC's accounts can be obtained from Beverley House, St Stephen's Square, Hull, HU1 3XG.