

Le Pain Croustillant Limited

Report and Financial Statements

1 May 2004

Registered Number: 2116902



LE PAIN CROUSTILLANT LIMITED

Annual report and financial statements for the fifty two weeks ended 1 May 2004

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LE PAIN CROUSTILLANT LIMITED

Report of the directors for the fifty two weeks ended 1 May 2004

The directors present their report together with the audited financial statements for the fifty two weeks ended 1 May 2004.

Principal activities, trading review and future developments

The principal activity of the company throughout the year continued to be that of a bakery, producing speciality partially baked breads and other bakery products.

The directors consider the results for the year to be acceptable and do not envisage any major change in the conduct of the business over the next twelve months.

Results and dividends

The profit and loss account is set out on page 5 and shows the results for the year.

No interim dividend was paid in the year (2003: £nil). The directors do not propose a final dividend for the year (2003: £nil).

Directors

The directors who served the company during the period and their interests in the ordinary shares of RHM Group One Limited, are:

	1 May 2004*	3 May 2003**
A J Allner (appointed 16 April 2004)+	100,000	-
I P Carter	-	-
D Holroyd	8,837	8,837
M J Schurch (resigned 30 June 2004)	51,648	51,648
H M Warnick	59,894	59,894
M B Woodmore (resigned 16 April 2004)	36,155	36,155

* or date of resignation, if earlier.

** or date of appointment, if later.

+ A J Allner acquired 100,000 ordinary shares on 20 April 2004.

J M R Clarke and N Crossley were appointed as directors on 30 June 2004 and 9 July 2004 respectively.

Other than the loan disclosed in note 5, no director has any material interest in any contract or arrangement subsisting during the year with the company.

Research and development

Applied research and development work continues to be directed towards the introduction of new and improved products, the application of new technology to reduce unit and operating costs and to improve service to customers.

Charitable and political contributions

During the year the company made charitable donations of £350 (2003: £525). The company made no political contributions.

LE PAIN CROUSTILLANT LIMITED

Report of the directors for the fifty two weeks ended 1 May 2004 (continued)

Employees

The company recognises the importance of encouraging all employees to contribute to the achievements of the company. It has a comprehensive set of employment practices designed to achieve that objective. In particular the company's equal opportunities policy is designed to create an environment in which all employees are encouraged to develop their individual potential whatever their sex, race, religion, colour, age or disability. The same opportunities for training, career development and promotion are available to all employees including those with disabilities, in so far as that disability does not prevent them from performing their job or any suitable alternative available job. Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned.

Consultation with employees or their representatives takes place at all levels; there is an RHM European Employment Forum (which satisfies the requirements of the European Works Council Directive) and other communication processes appropriate to the company's businesses. These are designed to ensure that employees' views are taken into account when decisions are made that are likely to affect their interests.

The company attaches great importance to the quality of its communication with all employees. Employees are provided with information about the performance of the company through a variety of briefing mechanisms appropriate to their circumstances.

Creditor payment policy

The company's policy is to determine terms and conditions of payment with suppliers when negotiating each transaction, to ensure that suppliers are made aware of the terms and how disputes are to be settled, and to abide by the terms of payment.

The number of days credit taken by the company for trade purchases at 1 May 2004 was 53 days (2003: 58 days).

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to select suitable accounting policies, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, and ensure that applicable accounting standards have been followed.

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

LE PAIN CROUSTILLANT LIMITED

Report of the directors for the fifty two weeks ended 1 May 2004 (continued)

Statutory dispensation

The company has in force, under Section 379A of the Companies Act 1985, an election dispensing with the laying of accounts and reports before the company in General Meeting, the holding of Annual General Meetings and the obligation to appoint auditors annually.

By order of the board



S N Wilbraham

Company Secretary

28 September 2004

LE PAIN CROUSTILLANT LIMITED

Independent auditors' report to the members of Le Pain Croustillant Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the 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. The other information comprises only the directors' report.

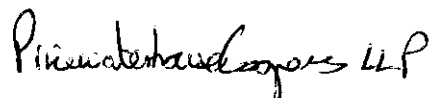
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 1 May 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

West London

28 September 2004

LE PAIN CROUSTILLANT LIMITED**Profit and loss account for the fifty two weeks ended 1 May 2004**

	Note	2004 £'000	2003 £'000
Turnover	2	52,448	59,843
Cost of sales		(42,245)	(48,555)
Gross profit		10,203	11,288
Distribution costs		(657)	(1,209)
Administrative expenses		(6,395)	(7,038)
Operating profit before interest	3	3,151	3,041
Loss on disposal of fixed assets		-	(2,533)
Interest receivable		106	-
Interest payable and similar charges	6	(3,711)	(3,894)
Loss on ordinary activities before taxation		(454)	(3,386)
Taxation on loss on ordinary activities	7	208	1,055
Retained loss for the year		(246)	(2,331)
Reserves brought forward		1,415	3,746
Reserves carried forward		1,169	1,415

All amounts relate to continuing activities.

There are no recognised gains or losses in either year, other than the loss on ordinary activities after taxation.

There is no material difference between the results as disclosed in the profit and loss account and the results on an historical cost basis.

The notes on pages 8 to 16 form part of these financial statements.

LE PAIN CROUSTILLANT LIMITED

Reconciliation of movements in shareholders' funds for the fifty two weeks ended 1 May 2004

	2004	2003
	£'000	£'000
Loss for the year	(246)	(2,331)
Opening shareholders' funds	1,416	3,747
Closing shareholders' funds	<u>1,170</u>	<u>1,416</u>

The notes on pages 8 to 16 form part of these financial statements.

LE PAIN CROUSTILLANT LIMITED

Balance sheet at 1 May 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Fixed assets					
Tangible assets	8		23,384		25,550
Current assets					
Stocks	9	2,090		1,492	
Debtors: amounts falling due within one year	10	6,778		8,008	
Debtors: amounts falling due after one year	10	40,000		40,000	
Cash		2,733		3,764	
		<u>51,601</u>		<u>53,264</u>	
Creditors: amounts falling due within one year	11	<u>(12,377)</u>		<u>(12,778)</u>	
Net current assets			39,224		40,486
Total assets less current liabilities			<u>62,608</u>		<u>66,036</u>
Creditors: amounts falling due after more than one year	12	(57,659)		(60,661)	
Provisions for liabilities and charges	13	<u>(3,779)</u>		<u>(3,959)</u>	
			(61,438)		(64,620)
Net assets			<u>1,170</u>		<u>1,416</u>
Capital and reserves					
Called up share capital	14		1		1
Profit and loss account			1,169		1,415
Shareholders' funds - Equity			<u>1,170</u>		<u>1,416</u>

The financial statements were approved by the Board on 28 September 2004, and were signed on its behalf by

D Holroyd
Director



I P Carter
Director



The notes on pages 8 to 16 form part of these financial statements.

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, the accounting policies set out below, and in accordance with applicable accounting standards. The directors consider that the accounting policies set out below are the most appropriate and have been consistently applied.

Accounting period

The financial statements are for the fifty two weeks ended 1 May 2004. In 2003 the financial statements were for the fifty three weeks ended 3 May 2003.

Changes in accounting policies

Le Pain Croustillant Limited is a member of the defined benefit pension scheme operated by RHM Group One Limited. The Group has adopted FRS 17 'Retirement Benefits' in full and all appropriate disclosures are given in note 15. This change in policy has not resulted in any restatement of the company's prior year results.

Turnover

The turnover represents the invoiced value of goods despatched or services rendered to third parties net of overrides and other sales related discounts and sales related taxes.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value on a straight line basis over the useful economic life of that asset as follows:

Short leasehold land and buildings	Length of lease
Computer equipment	Three years
Motor vehicles	Three to five years
Plant and machinery	Five to fifteen years

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes an appropriate proportion of production overheads.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments payable under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (*Continued*)

1. Principal accounting policies (*continued*)

Operating lease agreements

Rentals applicable to operating leases are charged against profits on a straight line basis over the period of the lease.

Taxation

The tax credit is based upon the result of the period and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes.

Provision is made for deferred taxation using the full provision approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed by the balance sheet date subject to the following:

Deferred tax is not recognised on the revaluation of non-monetary assets such as property unless a binding sale agreement exists at the balance sheet date. Where rollover relief is available on an asset then deferred tax is in any case not recognised.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is deemed more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

In accordance with the requirements of the ultimate parent undertaking the company makes or receives payment in respect of group relief at 100% of the value of the relief given.

Foreign currencies

Transactions in foreign currency are translated into sterling at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or at composite rates where forward cover exists. Exchange differences are taken to the Profit and Loss Account.

Research and development

Expenditure on research and development is written off to the Profit and Loss Account in the year in which it is incurred.

Pension and post retirement benefits

The group (headed by RHM Group One Limited) operates defined benefit schemes funded by both employer's and employee's contributions. It is not possible for the company to separately identify its share of the underlying assets and liabilities of these schemes. Therefore, in accordance with FRS 17, the schemes are treated as defined contribution schemes. A charge is made to operating profit for contributions payable to the schemes. Any contributions outstanding at the period end are held on the Balance Sheet.

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (*Continued*)

2. Turnover and operating profit

Turnover and operating profit are wholly attributable to the principal activity of the company and originate solely within the United Kingdom.

	2004 £'000	2003 £'000
Turnover by geographical destination		
United Kingdom	52,298	59,661
Rest of Europe	117	142
Rest of the World	33	40
	<u>52,448</u>	<u>59,843</u>

3. Operating profit before interest

Operating profit before interest is stated after charging/(crediting):

	2004 £'000	2003 £'000
Depreciation		
- Owned assets	3,330	3,733
- Leased assets	-	-
Profit on disposal of fixed assets - owned	(14)	(24)
Auditors - audit fees and expenses	28	36
Operating lease costs		
- Land and buildings	2,024	1,846
- Plant and equipment	538	533
Research and development expenditure	53	45
Net loss on foreign currency translation	57	134
Exceptional items (included in administrative expenses)		
- Rationalisation and redundancy	65	-
	<u>65</u>	<u>-</u>

4. Employees

Staff costs, including directors, consist of:

	2004 £'000	2003 £'000
Wages and salaries	12,568	14,693
Social security costs	1,262	1,387
Other pension costs (see note 15)	424	361
	<u>14,254</u>	<u>16,441</u>

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (Continued)

4. Employees (continued)

The average number of employees, including directors, during the year was:

	2004 Number	2003 Number
Production	538	629
Selling and distribution	7	14
Administration	44	34
	<u>589</u>	<u>677</u>

5. Directors

Remuneration

The aggregate remuneration of the directors of the company was as follows:

	2004 £'000	2003 £'000
Emoluments for services to the company	<u>323</u>	<u>306</u>

Pensions

Five directors (2003: six) who served during the year were members of the defined benefit plan.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2004 £'000	2003 £'000
Emoluments for services to the company	<u>197</u>	<u>124</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 1 May 2004 was £17,000 (2003: £13,000).

At 3 May 2003, there was an interest free relocation loan made to D Holroyd included in other debtors (note 10). During the year, this loan was transferred to a fellow group undertaking.

	£
Outstanding at the beginning of the year	40,000
Outstanding at the end of the year	-
Maximum outstanding during the year	40,000

No director has a direct or indirect interest in any transaction, arrangement or agreement which, in the opinion of the other directors, requires disclosure.

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (Continued)

6. Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable to group undertakings	3,670	3,894
Other interest payable	41	-
	<u>3,711</u>	<u>3,894</u>

7. Taxation on loss on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax on loss for the year at 30%	(202)	(107)
Adjustments in respect of prior periods	<u>(133)</u>	<u>38</u>
Total current tax	<u>(335)</u>	<u>(69)</u>
Deferred tax charge/(credit) at 30% (see note 13)	127	(986)
Tax on loss on ordinary activities	<u>(208)</u>	<u>(1,055)</u>

The tax for the period varies from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	<u>(454)</u>	<u>(3,386)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(136)	(1,016)
Net expenses not deductible for corporation tax purposes	5	13
Depreciation in excess of capital allowances for the period	36	748
Other provision movements	(107)	148
Adjustments to tax in respect of prior periods	<u>(133)</u>	<u>38</u>
Total current tax	<u>(335)</u>	<u>(69)</u>

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (*Continued*)

8. Tangible fixed assets

	Short leasehold land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
Cost			
At 4 May 2003	3,238	42,938	46,176
Additions	-	1,166	1,166
Disposals	-	(59)	(59)
At 1 May 2004	<u>3,238</u>	<u>44,045</u>	<u>47,283</u>
Depreciation			
At 4 May 2003	652	19,974	20,626
Provided for the year	162	3,168	3,330
Disposals	-	(57)	(57)
At 1 May 2004	<u>814</u>	<u>23,085</u>	<u>23,899</u>
Net book value			
At 1 May 2004	<u>2,424</u>	<u>20,960</u>	<u>23,384</u>
At 3 May 2003	<u>2,586</u>	<u>22,964</u>	<u>25,550</u>

Assets in the course of construction with a value of £nil (2003: £61,000) are not depreciated.

9. Stocks

	2004 £'000	2003 £'000
Raw materials	945	809
Finished goods and goods held for resale	<u>1,145</u>	<u>683</u>
	<u>2,090</u>	<u>1,492</u>

10. Debtors

	2004 £'000	2003 £'000
Debtors: amounts falling due within one year		
Trade debtors	5,193	5,453
Amounts owing by group undertakings	68	154
Corporation tax	202	565
Taxes and social security	386	516
Other debtors	5	54
Prepayments and accrued income	<u>924</u>	<u>1,266</u>
	<u>6,778</u>	<u>8,008</u>
Debtors: amounts falling due after more than one year		
Amounts owing by group undertakings	<u>40,000</u>	<u>40,000</u>

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (Continued)

11. Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	4,144	5,321
Amounts owing to group undertakings (see note 12)	4,959	3,249
Corporation tax	-	-
Taxes and social security	384	566
Other creditors	290	446
Accruals and deferred income	2,600	3,196
	<u>12,377</u>	<u>12,778</u>

12. Creditors: amounts falling due after more than one year

	2004 £'000	2003 £'000
Amounts owing to group undertakings	<u>57,659</u>	<u>60,661</u>

RHM Finance Limited made loans to fellow subsidiary companies of RHM Foodbrands + Limited in the original sum of £650m. Le Pain Croustillant Limited, together with other fellow subsidiaries who borrowed funds, is jointly and severally liable to repay the total borrowings. The loans are guaranteed by other fellow subsidiary companies that did not borrow funds. The loans are charged on the assets and cash flows of the subsidiary companies of RHM Foodbrands + Limited.

The maturity of this debt is shown in the table below:

	£'000
Within 1 year	3,097
Between 1 and 2 years	1,419
Between 2 and 3 years	1,175
Between 3 and 4 years	1,284
Between 4 and 5 years	1,404
Amounts more than 5 years	<u>27,007</u>
	<u>35,386</u>

13. Provisions for liabilities and charges

	2004 £'000	2003 £'000
Deferred tax		
At 4 May 2003	3,551	4,537
Charge/(credit) for the year (see note 7)	127	(986)
At 1 May 2004	<u>3,678</u>	<u>3,551</u>
Other provisions		
At 4 May 2003	408	-
Credit for the year	65	630
Utilised during the year	(372)	(222)
At 1 May 2004	<u>101</u>	<u>408</u>
Total provisions	<u>3,779</u>	<u>3,959</u>

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (Continued)

13. Provisions for liabilities and charges (continued)

	2004 £'000	2003 £'000
The deferred tax provision comprises:		
Excess of capital allowances over depreciation charged	3,738	3,718
Other timing differences	(60)	(167)
	<u>3,678</u>	<u>3,551</u>
Other provisions comprise:		
Restructuring and redundancy	<u>101</u>	<u>408</u>

14. Share capital

	Number	£
Authorised, allotted, called up and fully paid:		
Ordinary 'A' shares of 20p each	5,280	1,056
Ordinary 'B' shares of 20p each	960	192
At 1 May 2004 and 3 May 2003	<u>6,240</u>	<u>1,248</u>

The holders of 'B' shares are not entitled to receive or otherwise participate in the distribution of profits of the company whether effected by way of a dividend or otherwise. The holders of the 'B' shares are not entitled to attend or vote at any general meeting of the company other than a class meeting.

15. Pensions

The company contributes to the RHM Pension Scheme (the "Plan") which is administered by RHM Pension Services Limited on behalf of the trustee, RHM Pension Trust Limited, to provide benefits based on final pensionable salary for members of the scheme. The assets of the Plan are held in a separate fund administered by trustees. The pension funding relating to the Plan is assessed in accordance with the advice of an independent, qualified actuary using the projected unit method. The market value of the Plan at the 1 May 2004 was £1,436m and was sufficient to cover 73% of the liability for benefits that had accrued to members at that date. The scheme deficit totalled £525m at the year end (2003: £515m).

FRS 17

The pension costs for the company, which equate to the contributions payable, are assessed annually by an independent, qualified actuary. The contributions paid to the scheme company in 2004 totalled £424,000 (2003: £361,000). Contributions outstanding at 1 May 2004 were £44,000 (2003: £46,000).

Further details relating to this scheme can be found in the financial statements of RHM Group One Limited, available from the Company Secretary at Chapel House, Liston Road, Marlow, Buckinghamshire, SL7 1TJ.

16. Capital commitments

	2004 £'000	2003 £'000
Contracted for but not provided for	<u>335</u>	<u>724</u>

LE PAIN CROUSTILLANT LIMITED

Notes to the financial statements for the fifty two weeks ended 1 May 2004 (Continued)

17. Commitments under operating leases

As at 1 May 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	2004	2004	2003	2003
	Land and	Other	Land and	Other
	Buildings		Buildings	
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years inclusive	-	507	-	511
Over five years	2,330	45	2,051	45
	<u>2,330</u>	<u>552</u>	<u>2,051</u>	<u>556</u>

18. Related parties

In accordance with FRS 8: Related Party Disclosures, the company is exempt from disclosing transactions with entities that are part of a group, or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

19. Ultimate parent company

RHM Foodbrands + Limited is the company's parent undertaking at the year end and RHM Group One Limited is the company's ultimate parent company. At the year end Doughty Hanson & Co has a controlling interest in RHM Group One Limited.

RHM Group One Limited produces group accounts; copies may be obtained from The Secretary, RHM Group One Limited, Chapel House, Liston Road, Marlow, Buckinghamshire, SL7 1TJ, United Kingdom.

20. Cash flow statement

The company has used the exemption under FRS 1: Cash Flow Statements, not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.