2328824

Princes Limited and Subsidiaries

Report and Accounts

31 December 1998

ERNST & YOUNG

Registered No. 2328824

DIRECTORS
J A Mutch
K Narita
J D Harrison
K D Critchley
M Goto
H Shimoyoshi
T Kijima
M Nomura
S Natsumura

SECRETARY
K Narita

AUDITORS
Ernst & Young
Silkhouse Court
Tithebarn Street
Liverpool
L2 2LE

BANKERS
Midland bank Plc
City Branch
4 Dale Street
Liverpool
L69 2BZ

National Westminster Bank Plc
P O Box No. 138
22 Castle Street
Liverpool
L69 2BE

SOLICITORS
Davies Wallis Foyster
5 Castle Street
Liverpool
L2 4XE

REGISTERED OFFICE
Royal Liver Building
Pier Head
Liverpool
L3 1NX

DIRECTORS' REPORT

The directors submit their report and the accounts for the year to 31 December 1998.

RESULTS AND DIVIDENDS

The group profit for the year to 31 December 1998, after taxation, amounted to

	1998	*1997*
	£'000	*£'000*
	10,404	10,489

The directors propose to pay fixed cumulative preference dividends of £18,699 and participating dividends of £233,735 on the 2% preference shares. In addition, the directors propose to pay dividends on the ordinary shares of £1,750,000. The remaining balance has been transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activities during the year have been the importation, manufacture and distribution of food and drink products to the grocery trade.

On 27 March 1998 the company acquired the trade and certain assets of a company engaged in the manufacture of drinks products and on 2 June 1998 acquired a 50% interest in a company involved in the production of speciality oils.

The group is in a good position to take advantage of any opportunities which may arise in the future.

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies which have resulted in the group's growth in recent years.

EVENTS SINCE THE BALANCE SHEET DATE

On 25 February 1999 the company entered into a strategic alliance with a supplier of tomatoes in respect of the sale of items in the UK and Eire. The company also entered into a preliminary agreement to buy shares in this supplier company.

On 19 March 1999 the company acquired the share capital of Oxbridge Limited, a holding company of a group engaged in the importation and distribution of food products.

The balance of 750,000 2% preference shares were redeemed at par on 31 March 1999.

DIRECTORS AND THEIR INTERESTS

The names of the directors are listed on page 1.

The directors who served during the year are as follows:

J A Mutch	
K Narita	(Company secretary)
K C Critchley	
M Goto	
H Shimoyoshi	
T Kijima	
M Nomura	
S Natsumura	(appointed 1 September 1998)
T Sadahiro	(resigned 1 September 1998)

On 1 April 1999 J D Harrison was appointed a director.

DIRECTORS' REPORT

None of the directors at the 31 December 1998 had any interest in the share capital of the company or of other UK group companies during the year. The directors are not required to disclose interests in the shares of overseas group companies in this report.

POLITICAL AND CHARITABLE CONTRIBUTIONS
During the year the company made various charitable contributions totalling £70,350. There were no political contributions.

DISABLED PERSONS
Applications for employment made by disabled persons are given full consideration and training is provided for employees who have become disabled during their employment by the group.

EMPLOYEE INVOLVEMENT
The directors maintain the provision of information to and consultation with employees by means of regular and ad hoc meetings of management and employees.

YEAR 2000
Systems critical to the company's ongoing operations and preparation of financial information (including application systems, operating systems and hardware), as well as other non-financial computing and date dependent systems on which the company relies in its operations, have been reviewed to establish the impact, if any which the Year 2000 will have on the accuracy of their calculations, processing and reporting. There are plans in place designed to enhance our computer and other systems prior to the end of the millenium which, when implemented should ensure that the impact of the Year 2000 problem will not create significant errors in accounting records or adversely impact operations or customer service. We believe that these plans are appropriate and realistic and we confirm our commitment to implementing them.

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

K Narita

K Narita
Secretary

27 April 1999

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 group and of the profit or loss of the group 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;
- 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 group and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Princes Limited

We have audited the accounts on pages 6 to 23 which have been prepared under the historical cost convention on the basis of the accounting policies set out on pages 9 and 10.

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 and of the group as at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Liverpool

27 April 1999

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
TURNOVER			
Group and share of joint venture turnover		458,432	385,349
Less: share of joint venture turnover		(6,808)	-
GROUP TURNOVER	2	451,624	385,349
Ongoing operations		420,198	366,629
Acquisition		31,426	18,720
		451,624	385,349
Cost of sales		348,616	293,791
Gross profit		103,008	91,558
Distribution costs		48,916	45,119
Reorganisation costs	3	1,295	-
Administrative expenses		33,577	28,198
		83,788	73,317
GROUP OPERATING PROFIT	4		
Ongoing operations		18,948	16,627
Acquisition		272	1,614
		19,220	18,241
Share of operating profit in joint venture		974	-
Interest	7	(3,206)	(1,853)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		16,988	16,388
Tax on profit on ordinary activities of the group	8	(6,340)	(5,899)
Share of tax in joint venture		(244)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,404	10,489
DIVIDENDS			
Dividends on non-equity shares		252	371
Ordinary dividends on equity shares		1,750	1,400
	10	2,002	1,771
PROFIT RETAINED FOR THE FINANCIAL YEAR		8,402	8,718

There are no recognised gains or losses arising other than the profit for the year as shown above.

GROUP BALANCE SHEET
at 31 December 1998

	Notes	*1998* *£000*	*1997* *£000*
FIXED ASSETS			
Intangible assets	11	18,282	18,678
Tangible assets	12	47,309	35,843
Share of net assets in joint venture		5,086	-
		70,677	54,521
CURRENT ASSETS			
Stocks	14	50,252	53,114
Debtors	15	42,266	38,174
Cash at bank and in hand		6,599	4,432
		99,117	95,720
CREDITORS: amounts falling due within one year	16	100,726	89,187
NET CURRENT (LIABILITIES)/ASSETS		(1,609)	6,533
TOTAL ASSETS LESS CURRENT LIABILITIES		69,068	61,054
CREDITORS: amounts falling due after more than one year	17	23,400	24,000
PROVISIONS FOR LIABILITIES AND CHARGES	18	2,488	1,545
		43,180	35,509
CAPITAL AND RESERVES			
Called up share capital	19	7,750	8,500
Capital redemption reserve	20	4,650	3,900
Profit and loss account	20	30,780	23,109
		43,180	35,509
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity shareholders' funds		42,430	34,009
Non-equity shareholders' funds		750	1,500
	20	43,180	35,509

K D Critchley
Director

27 April 1999

BALANCE SHEET
at 31 December 1998

	Notes	*1998* *£000*	*1997* *£000*
FIXED ASSETS			
Intangible assets	11	8,559	7,459
Tangible assets	12	47,264	35,818
Investments	13	41,715	37,378
		97,538	80,655
CURRENT ASSETS			
Stocks	14	48,213	51,100
Debtors	15	40,356	36,363
Cash at bank and in hand		6,484	4,143
		95,053	91,606
CREDITORS: amounts falling due within one year	16	97,850	86,115
NET CURRENT (LIABILITIES)/ASSETS		(2,797)	5,491
TOTAL ASSETS LESS CURRENT LIABILITIES		94,741	86,146
CREDITORS: amounts falling due after more than one year	17	55,052	55,660
PROVISION FOR LIABILITIES AND CHARGES	18	2,488	1,545
		37,201	28,941
CAPITAL AND RESERVES			
Called up share capital	19	7,750	8,500
Capital redemption reserve	20	4,650	3,900
Profit and loss account	20	24,801	16,541
		37,201	28,941
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity shareholders' funds		36,451	27,441
Non-equity shareholders' funds		750	1,500
	20	37,201	28,941

K D Critchley
Director

27 April 1999

NOTES TO THE ACCOUNTS
at 31 December 1998

1. ACCOUNTING POLICIES

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

Basis of consolidation
The consolidated accounts consolidate the accounts of Princes Limited and all its subsidiary undertakings made up to co-terminous dates. No profit and loss account is presented for Princes Limited as permitted by Section 230(3) of the Companies Act 1985.

Goodwill
Goodwill arising on consolidation, representing the excess of the purchase consideration of subsidiary undertakings over the fair value ascribed to their net tangible assets at the respective dates of acquisition is written off evenly over its expected useful economic life of 10 years.

Goodwill arising on the acquisition of a business, representing the excess of the purchase consideration over the fair value ascribed to the acquired assets at the date of acquisition, is written off over its expected useful life of 10 years.

Depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land at rates calculated to write off the cost evenly over the estimated useful life, as follows:

Freehold buildings	-	over 33 to 50 years
Leasehold land and buildings	-	over 50 years or over period of lease
Leasehold improvements	-	over 10 years
Plant, machinery and equipment	-	over 2 to 10 years
Vehicles	-	over 2 to 5 years

Assets are depreciated from the date they are brought into use.

Research and development
Research and development expenditure is written off as incurred.

Stocks
Stocks are stated at the lower of cost and net realisable value as follows:

Raw materials, packaging and goods purchased for resale	-	purchase cost on a first-in, first-out basis.
Manufactured goods	-	cost of direct materials and labour plus attributable overheads based on normal levels of activity.

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

Pension costs
Amounts charged to profit and loss account represent contributions payable to defined contribution schemes and, in respect of defined benefit schemes, the amounts charged reflect the cost of providing pensions over the expected service lives of current employees.

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

1. ACCOUNTING POLICIES (continued)

Deferred taxation
Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the liability to taxation is unlikely to crystalise.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Assets and liabilities in foreign currencies are translated at the rate of exchange on the balance sheet date except those which are the subject of forward exchange contracts, or allocated to an option agreement, where the forward rate obtained has been used. Exchange differences are taken to profit and loss account.

Capital instruments
Capital instruments, being instruments issued as a means of raising finance, are classified as debt, non-equity shares or equity shares. Costs incurred associated with capital instruments are dealt with in a manner consistent with the classification of the instrument.

Cash flow statement
The company has taken advantage of the exemption under Financial Reporting Standard Number 1 (Revised 1996) Cash Flow Statements not to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

Related party transactions
The company has taken advantage of the exemption available under Financial Reporting Standard Number 8 not to disclose transactions with group companies as it is a wholly owned subsidiary undertaking.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the invoiced value of goods sold which fall within the group's continuing ordinary activities and is stated net of value added tax.

The group operates in one principal area of activity, that of the importation, manufacture and distribution of food and drink products. The group also operates within two geographical markets, the United Kingdom and Western Europe. Turnover, profit before tax and net assets attributable to activities outside the United Kingdom are not material to the group as a whole.

The results of the business acquired in the year relate to the principal activity of the group and all turnover of this business since acquisition has been in the United Kingdom.

3. EXCEPTIONAL ITEM

Reorganisation costs are in respect of the closure of one factory site, the integration of the acquisition and the termination of employment contracts.

NOTES TO THE ACCOUNTS
at 31 December 1998

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

		1998 £000	1997 £000
Depreciation of owned fixed assets		6,152	5,938
Amortisation of goodwill		2,442	1,934
Royalty payable		1,909	1,765
Auditors' remuneration	- audit	107	94
	- non-audit	215	144
Operating lease rentals	- land and buildings	534	482
	- plant and machinery	913	144

5. DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Emoluments	477	1,122

	No.	No.
Directors at the year end who are members of defined benefit pension schemes	2	2

The emoluments of the highest paid director were £201,000 (1997 - £719,000).

6. STAFF COSTS

Staff costs, inclusive of directors remuneration:

	1998 £000	1997 £000
Wages and salaries	25,878	20,120
Social security costs	2,032	1,852
Other pension costs	1,035	805
	28,945	22,777

The average weekly number of employees during the year was:

	No.	No.
Office management	336	293
Manufacturing, warehousing and transport	842	622
	1,178	915

7. INTEREST

	1998	*1997*
	£000	*£000*
Payable on bank loans, overdrafts and other loans wholly repayable within five years	3,208	1,853
Share of interest payable by joint venture	42	-
Share of interest receivable by joint venture	(44)	-
	3,206	1,853

8. TAXATION

	1998	*1997*
	£	*£*
Based on profit for the year:		
Corporation tax at 31 % (1997 - 31%)	5,388	5,730
Deferred tax	988	169
	6,376	5,899
Adjustment in respect of previous years:		
Deferred tax	(36)	-
	6,340	5,899
Share of tax charge of joint venture	244	-
	6,584	5,899

The effective tax rate for the current and prior year is higher than normal as a result of disallowable charges against profits, principally the amortisation of goodwill.

9. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

The profit dealt with in the accounts of the parent company was £9,010,000 (1997 - £8,668,000).

10. DIVIDENDS

	1998	*1997*
	£000	*£000*
Dividends on non-equity shares:		
Fixed preference dividend payable on 2% preference shares	19	34
Interim participating preference dividend proposed on 2% preference shares	141	171
Final participating preference dividend proposed on 2% preference shares	92	166
	252	371
Dividend on equity shares:		
Interim ordinary dividend proposed	1,060	709
Final ordinary dividend proposed	690	691
	1,750	1,400
	2,002	1,771

NOTES TO THE ACCOUNTS
at 31 December 1998

11. INTANGIBLE FIXED ASSETS

Company

	Goodwill *£000*
Cost:	
At 1 January 1998	7,898
Arising on acquisition during the year	2,046
At 31 December 1998	9,944
Amortisation:	
At 1 January 1998	439
Amortisation in the year	946
At 31 December 1998	1,385
Net book values:	
At 31 December 1998	8,559
At 31 December 1997	7,459

Group

Cost:	
At 1 January 1998	26,548
Arising on acquisition during the year	2,046
At 31 December 1998	28,594
Amortisation:	
At 1 January 1998	7,870
Amortisation in year	2,442
At 31 December 1998	10,312
Net book values:	
At 31 December 1998	18,282
At 31 December 1997	18,678

NOTES TO THE ACCOUNTS
at 31 December 1998

11. **INTANGIBLE FIXED ASSETS** (continued)

On 27 March 1998 the company acquired the trade and certain assets from, Avonmore Waterford plc, a company engaged in the manufacture of drink products for a consideration of £14,235,000. The acquisition has been accounted for using acquisition accounting and an analysis of the acquisition is as follows:

	Book value	*Revaluation adjustment*		*Fair value to the company*
	£'000	*£'000*		*£'000*
Land and buildings	2,200	(450)	(a)	1,750
Plant and machinery	8,937	(3,945)	(b)	4,992
Stock	5,735	-		5,735
Assets acquired				12,477
Goodwill arising on acquisition				2,046
				14,523
Discharged by:				
Cash				14,235
Costs associated with the acquisition				288
				14,523

(a) Reduction in value of freehold land and buildings to independent valuation.

(b) Reduction in value of plant and machinery to independent valuation on existing use basis.

As the trade and certain assets only were acquired details of the results of the business from 1 January 1998 to the date of acquisition are not readily available.

Included in costs associated with the acquisition is £54,000 payable to the auditors in connection with non audit services.

NOTES TO THE ACCOUNTS
at 31 December 1998

12. TANGIBLE FIXED ASSETS

Company

	Assets in the course of construction £000	*Land and buildings £000*	*Plant, machinery and equipment £000*	*Vehicles £000*	*Total £000*
Cost:					
At 1 January 1998	540	12,658	45,150	2,020	60,368
Additions	4,774	3,333	9,401	279	17,787
Disposals	-	-	(4)	(675)	(679)
Transfers	(1,017)	21	996	-	-
At 31 December 1998	4,297	16,012	55,543	1,624	77,476
Depreciation:					
At 1 January 1998	-	1,696	21,698	1,156	24,550
Provided in year	-	470	5,294	375	6,139
Disposals	-	-	(1)	(476)	(477)
At 31 December 1998		2,166	26,991	1,055	30,212
Net book value:					
At 31 December 1998	4,297	13,846	28,552	569	47,264
At 31 December 1997	540	10,962	23,452	864	35,818

12. TANGIBLE FIXED ASSETS (continued)

Group

	Assets in the course of construction	*Land and buildings*	*Plant, machinery and equipment*	*Vehicles*	*Total*
	£	£	£	£	£
Cost:					
At 1 January 1998	540	12,672	45,275	2,020	60,507
Additions	4,774	3,333	9,433	279	17,819
Disposals	-	(14)	(103)	(675)	(792)
Transfers	(1,017)	21	996	-	-
At 31 December 1998	4,297	16,012	55,601	1,624	77,534
Depreciation:					
At 1 January 1998	-	1,710	21,798	1,156	24,664
Provided in year	-	470	5,307	375	6,152
Disposals	-	(14)	(101)	(476)	(591)
At 31 December 1998	-	2,166	27,004	1,055	30,225
Net book value:					
At 31 December 1998	4,297	13,846	28,597	569	47,309
At 31 December 1997	540	10,962	23,477	864	35,843

The net book value of land and buildings comprises:

		Company		*Group*
	1998	*1997*	*1998*	*1997*
	£	£	£	£
Freehold	7,699	4,573	7,699	4,573
Long leasehold	5,844	6,031	5,844	6,031
Short leasehold	303	358	303	358
	13,846	10,962	13,846	10,962

Included in freehold land and buildings of the company and of the group is land at cost of £24,000 (1997 - £24,000) which is not depreciated.

13. INVESTMENTS

Company

	£000
Shares in subsidiary undertakings at cost:	
At 1 January 1998 and 31 December 1998	37,378

The company holds the entire issued share capital comprising ordinary shares of Princes Foods BV a company engaged in the distribution of food products and registered in Holland. This is the only trading subsidiary in the group.

On 2 June 1998 the company entered into a joint venture arrangement and acquired 50% of the issued share capital of Leon Frenkel Limited a company registered in England and engaged in the processing and packaging of edible oils.

	£000
Cost of share in joint venture:	
Acquisition during the year	4,337

Included within the cost of the acquisition is £26,000 payable to the auditors in connection with non audit services.

Group

	£000
Share of joint venture at 31 December 1998:	
Share of gross assets	7,634
Share of gross liabilities	(2,252)
Negative goodwill	(296)
	5,086

14. STOCKS

	Company		Group	
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Raw materials and consumables	8,220	5,872	8,220	5,872
Finished goods and goods for resale	39,993	45,228	42,032	47,242
	48,213	51,100	50,252	53,114

NOTES TO THE ACCOUNTS
at 31 December 1998

15. DEBTORS

		Company		*Group*
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Trade debtors	36,630	32,863	38,750	34,910
Amounts owed by subsidiary undertakings	283	262	-	-
Other debtors	927	1,134	936	1,149
Prepayments and accrued income	1,232	324	1,296	336
Advance corporation tax recoverable	-	443	-	443
Pension prepayments	1,284	1,337	1,284	1,336
	40,356	36,363	42,266	38,174

Advance corporation tax recoverable and pension prepayments included above fall due after more than one year. Included in amounts owed by subsidiary undertakings is an amount of £251,000 (1997 - £251,000) due after more than one year.

16. CREDITORS: amounts falling due within one year

		Company		*Group*
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Bank borrowings	18,168	6,250	20,730	8,207
Trade creditors	37,427	39,454	38,207	41,080
Current corporation tax	5,174	6,024	5,174	6,027
Other taxes and social security costs	733	524	760	598
Other creditors	4,099	2,851	4,099	2,851
Amounts due to subsidiary undertakings	1,053	1,055	-	-
Amounts due to parent undertakings or fellow subsidiaries	9,225	7,952	9,342	8,095
Accruals	19,969	20,234	20,412	20,558
Dividends	2,002	1,771	2,002	1,771
	97,850	86,115	100,726	89,187

Bank borrowings are made against short term or overdraft facilities, all at commercial rates of interest, all repayable within one year. Bank borrowings are secured under a cross-guarantee arrangement between all companies in the group.

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

	Company		Group	
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Loans from subsidiary undertakings	31,652	31,660	-	-
Bank loans	23,400	24,000	23,400	24,000
	55,052	55,660	23,400	24,000

An analysis of the maturity of the loans and bank borrowings is as follows:

	Company		Group	
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Amounts falling due:				
In one year or less or on demand (note 16)	18,168	6,250	20,730	8,207
Between one and two years	35,252	37,660	3,600	6,000
Between two and five years	19,800	16,800	19,800	16,800
In five years or more	-	1,200	-	1,200
	73,220	61,910	44,130	32,207

18. PROVISIONS FOR LIABILITIES AND CHARGES

Company and Group

	Provision for pension	*Deferred taxation*	*Total*
	£000	*£000*	*£000*
At 1 January 1998	123	1,422	1,545
Arising during the year	(9)	952	943
At 31 December 1998	114	2,374	2,488

The full potential liability for deferred taxation has been provided and comprises:

	Company		Group	
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Excess capital allowances over depreciation	2,277	1,595	2,277	1,595
Other timing differences	97	(173)	97	(173)
	2,374	1,422	2,374	1,422

NOTES TO THE ACCOUNTS
at 31 December 1998

19. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998	*1997*	*1998*	*1997*
	No.	*No.*	*£000*	*£000*
Ordinary shares of £1 each	29,600	29,600	7,000	7,000
4% Cumulative redeemable preference shares of £1 each	2,400	2,400	-	-
2% Cumulative redeemable preference shares of £1 each	3,000	3,000	750	1,500
	35,000	35,000	7,750	8,500

750,000 2% cumulative redeemable preference shares of £1 each were redeemed at par on 31 March 1998. The remaining 2% preference shares of £1 each are redeemable at par on 31 March 1999. In addition to a 2% fixed dividend payable annually in arrears these shares have the right to receive dividends which may, from time to time, be paid on ordinary shares. This class of shares have no voting rights and no rights to a distribution of a balance remaining on winding up after repayment at par.

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group

	Share capital	*Capital redemption reserve*	*Profit and loss account*	*Total share-holders funds*
	£000	*£000*	*£000*	*£000*
At 1 January 1997	9,250	3,150	15,155	27,555
Retranslation of net assets of subsidiary	-	-	(14)	(14)
Profit for the year	-	-	10,489	10,489
Redemption of preference shares	(750)	-	-	(750)
Transfer to capital redemption reserve	-	750	(750)	-
Dividends	-	-	(1,771)	(1,771)
At 1 January 1998	8,500	3,900	23,109	35,509
Retranslation of net assets of subsidiary	-	-	19	19
Profit for the year	-	-	10,404	10,404
Redemption of preference shares	(750)	-	-	(750)
Transfer to capital redemption reserve	-	750	(750)	-
Dividends	-	-	(2,002)	(2,002)
At 31 December 1998	7,750	4,650	30,780	43,180

NOTES TO THE ACCOUNTS
at 31 December 1998

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES
(Continued)

Company

	Share capital £000	*Capital redemption reserve £000*	*Profit and loss account £000*	*Total share-holders funds £000*
At 1 January 1997	9,250	3,150	8,623	21,023
Profit for the year	-	-	10,439	10,439
Redemption of preference shares	(750)	-	-	(750)
Transfer to capital redemption reserve		750	(750)	-
Dividends			(1,771)	(1,771)
At 1 January 1998	8,500	3,900	16,541	28,941
Profit for the year			11,012	11,012
Redemption of preference shares	(750)	-	-	(750)
Transfer to capital redemption reserve	-	750	(750)	-
Dividends	-	-	(2,002)	(2,002)
At 31 December 1998	7,750	4,650	24,801	37,201

21. CAPITAL COMMITMENTS

	Company		*Group*	
	1998 £000	*1997 £000*	*1998 £000*	*1997 £000*
Amounts contracted for	46	99	46	99

NOTES TO THE ACCOUNTS
at 31 December 1998

22. OTHER FINANCIAL COMMITMENTS

At 31 December 1998 the company and the group had annual commitments under non-cancellable operating leases as set out below:

Company

	1998		*1997*	
	Land and buildings *£000*	*Other* *£000*	*Land and buildings* *£000*	*Other* *£000*
Operating leases which expire:				
Within one year of the balance sheet date	-	104	-	-
In the second to fifth year	335	339	-	97
In over five years	2	-	483	12
	337	443	483	109

Group

	1998		*1997*	
	Land and buildings *£000*	*Other* *£000*	*Land and buildings* *£000*	*Other* *£000*
Operating leases which expire:				
Within one year of the balance sheet date	-	104	27	37
In the second to fifth year	364	339	71	171
In over five years	73	3	482	12
	437	446	580	220

23. CONTINGENT LIABILITIES

The company has guaranteed the bank borrowings of UK subsidiary undertakings under a cross-guarantee arrangement with the group's bankers.

The group and the company has issued indemnities in respect of matters arising in the normal course of the importation of goods.

NOTES TO THE ACCOUNTS
at 31 December 1998

24. PENSIONS

Princes Limited operates two funded defined benefit pension schemes for the benefit of its employees. The assets of these schemes are held separately from those of the group. Contributions to the schemes are charged to profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of valuations using the Projected Unit Method and the Aggregate Method respectively.

The most recent valuations of these schemes were at 31 March 1997. The assumptions utilised and which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that there will be a margin of 2% between the rate of investment returns and the rate of payroll increases and that there will be a margin of 5% between the rate of increase of an actual pension and the rate of return on investments. These valuations showed that the market value of the scheme's assets were £23,279,000 and that the actuarial value of these assets represented 122% of the benefits that had accrued to members, after allowing for future increases in earnings.

The group has an unfunded commitment to provide pension benefits to a former director of a subsidiary undertaking. Provision has been made for the anticipated cost (note 18).

The pension charge against operating profits for the year in respect of United Kingdom operations was £993,000 (1997 - £757,000) which is net of notional interest of £120,000 (1997 - £123,000) on the prepayment included in note 15.

The group's Dutch subsidiary operates an insured retirement plan and a contributory retirement plan for eligible employees. All pension costs are funded as incurred and the total cost for the year was £42,000 (1997 - £49,000).

25. EVENTS SINCE THE BALANCE SHEET DATE

On 25 February 1999 the company entered into an exclusive distribution agreement with a supplier of tomatoes in respect of the sale of items in the UK and Eire. The company also entered into a preliminary agreement to buy shares in the supplier company.

On 19 March 1999 the company acquired the share capital of a company engaged in the importation and distribution of food products.

750,000 2% preference shares were redeemed at par on 31 March 1999.

26. ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest and largest group of which the company is a member is the Mistubishi Corporation, a company incorporated in Japan.

Copies of the group accounts are available to the public from the following address:

Corporate Communications Department
Mitsubishi Corporation
6 - 3 Marunouchi
2-Chome
Chiyoda-Ku
Tokyo 100-86
Japan