

Brambles Foods Limited

3229975

Report and Financial Statements

31 December 2003



Brambles Foods Limited

Registered No: 3229975

Directors

M J Cole
H R Farquhar
J R Pearce
D Gedge

Secretary

I P Kemp

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Allied Irish Bank
Imperial Buildings
9 Dale Street
Liverpool
L2 2RS

Fortis
Camomile Court
23 Camomile Street
London
EC3A 7PP

Solicitors

EMW Law
Seckloe House
101 North 13th Street
Milton Keynes
MK9 3NX

Registered Office

13/15 Drake Court
Riverside Park
Middlesbrough
TS2 1RS

Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activity, review of the business and future developments

The principal activity of the company during the year continued to be the preparation and sale of food products.

The business continued to grow strongly during the year, a trend which is continuing into 2004.

Results and dividends

Profit before taxation was £1,240,820 (2002: £883,390) on sales of £10,457,014 (2002: £8,412,687). A dividend of £200,000 was paid during the year (2002: £150,000). The retained profit for the year of £665,597 (2002: £460,915) has been transferred to reserves.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	<i>Ordinary shares</i>	
	<i>2003</i>	<i>2002</i>
M J Cole (appointed 11 July 2003)	-	-
H R Farquhar (appointed 11 July 2003)	-	-
J R Pearce	-	65,000
L Pearce (resigned 11 July 2003)	-	48,750
D Rayner (resigned 11 July 2003)	-	16,250
D Gedge (appointed 19 December 2003)	-	-

Messrs M J Cole, H R Farquhar, and J R Pearce are also directors of the ultimate parent undertaking, Brambles Food Group Limited and their interests in this company are disclosed in the group financial statements of that company.

Auditors

Ernst & Young LLP were appointed as auditors during the period following the resignation of S V Bye. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



I P Kemp
Secretary

9 July 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year that 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 consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report**to the members of Brambles Foods Limited**

We have audited the company's financial statements for the year ended 31 December 2003 that comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.



Independent auditors' report

to the members of Brambles Foods Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'Ernst & Young LLP' with a horizontal line underneath.

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

9 July 2004

Profit and loss account

For the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	2	10,457,014	8,412,687
Cost of sales		(5,975,984)	(4,234,298)
Gross profit		4,481,030	4,178,389
Distribution expenses		(1,797,501)	(1,369,813)
Administrative expenses		(1,431,891)	(1,879,993)
Other operating income		13,092	12,091
Operating profit	3	1,264,730	940,674
Interest receivable and similar income	4	5,249	611
Interest payable and similar charges	5	(29,159)	(57,895)
Profit on ordinary activities before taxation		1,240,820	883,390
Tax on profit on ordinary activities	7	(375,223)	(272,475)
Profit on ordinary activities after taxation		865,597	610,915
Dividends	8	(200,000)	(150,000)
Retained profit for the year		665,597	460,915
Retained profit brought forward		716,008	255,093
Retained profit carried forward		1,381,605	716,008

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £865,597 in the year ended 31 December 2003 and the profit of £610,915 in the year ended 31 December 2002.

Balance sheet

as at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	9	1,402,121	1,232,192
Current assets			
Stocks	10	236,003	174,245
Debtors	11	2,228,255	1,283,687
Cash at bank and in hand		370,025	205,805
		2,834,283	1,663,737
Creditors: amounts falling due within one year	12	(2,332,746)	(1,635,682)
Net current assets		501,537	28,055
Total assets less current liabilities		1,903,658	1,260,247
Creditors: amounts falling due after more than one year	13	(228,257)	(261,799)
Provisions for liabilities and charges			
Deferred tax	14	(131,424)	(106,976)
Accruals and deferred income			
Deferred government grants	15	(32,372)	(45,464)
		1,511,605	846,008
Capital and reserves			
Called up share capital	16	130,000	130,000
Profit and loss account	17	1,381,605	716,008
Equity shareholders' funds		1,511,605	846,008



H R Farquhar
Director

9 July 2004

Notes to the financial statements

at 31 December 2003

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, drawn up to the last Saturday in the financial year.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost.

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

Leasehold property improvements	-	over the life of the lease
Fixtures, fittings and equipment	-	10% - 25% per annum
Motor vehicles	-	25% per annum

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset has passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the lease and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Stock

Stock is valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

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

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2003

1. Accounting policies (continued)

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pension scheme contributions

The company operates a stakeholder pension scheme for its employees. The company bears no cost in relation to contributions paid by the employees. The company also contributes to personal pension funds for two of its directors. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Government grants

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

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Cash flow statement

The company has not prepared a cash flow statement as it is a wholly owned subsidiary and its parent prepares full group financial statements including a group cash flow statement.

2. Turnover

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

Turnover is attributable to one continuing activity, the preparation and sale of food products which is wholly undertaken in the UK.

3. Operating profit

	2003	2002
	£	£
This is stated after charging:		
Depreciation	182,205	156,627
Loss on disposal of tangible fixed assets	15,492	71,214
Auditors' remuneration - audit	10,000	6,565
Non audit fees paid to former auditors	10,207	-
Operating lease rentals - fixtures and fittings	53,304	-
- land and buildings	65,352	-
	<u> </u>	<u> </u>
And after crediting:		
Release of government grants (note 15)	13,092	12,091
	<u> </u>	<u> </u>

4. Interest receivable and similar income

	2003	2002
	£	£
Bank interest	5,249	611
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2003

5. Interest payable and similar charges

	2003	2002
	£	£
On loans and overdrafts	4,125	9,315
Hire purchase interest	25,034	23,916
Factoring interest	-	24,664
	<u>29,159</u>	<u>57,895</u>

6. Employees

Employment costs

	2003	2002
	£	£
Wages and salaries	2,055,310	1,778,647
Social security costs	161,683	114,955
Other pension costs	3,622	-
	<u>2,220,615</u>	<u>1,893,602</u>

Number of employees

The average monthly number of employees (including the directors) during the year was:

	2003	2002
	No.	No.
Administration	12	19
Production	147	119
Distribution	51	39
	<u>210</u>	<u>177</u>

Directors' emoluments

	2003	2002
	£	£
Emoluments	186,647	166,301
Contributions paid to money purchase pension schemes	3,622	-
	<u>190,269</u>	<u>166,301</u>

The company makes contributions to personal pension schemes for two directors (2002: Nil).

Notes to the financial statements

at 31 December 2003

7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £000	2002 £000
Current tax:		
UK corporation tax	354,041	236,547
Tax (over)/underprovided in previous years	(3,266)	894
Total current tax (note 7(b))	350,775	237,441
Deferred tax:		
Origination and reversal of timing differences	31,704	35,034
Prior year adjustments	(7,256)	-
Total deferred tax (note 14)	24,448	35,034
Tax on profit on ordinary activities	375,223	272,475

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are reconciled below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	1,240,820	883,390
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2002: 30%)	372,246	265,017
Expenses not deductible for tax purposes	13,500	1,287
Accelerated capital allowances	(27,776)	(12,454)
Deferred tax movement – grant release	(3,928)	(3,627)
Adjustment in respect of previous periods	(3,267)	894
Other	-	(13,676)
Total current tax (note 7(a))	350,775	237,441

(c) Factors that may affect future tax charges

The directors expect no material change to the effective rate of tax for the foreseeable future

Notes to the financial statements

at 31 December 2003

7. Tax on profit on ordinary activities (continued)

(d) Deferred tax

Deferred tax is provided at 30% (2002: 30%) in the financial statements as follows:

	2003 £000	2002 £000
Capital allowances in advance of depreciation	141,136	106,976
Government grants	(9,712)	-
Provision for deferred tax (note 14)	<u>131,424</u>	<u>106,976</u>

8. Dividends

	2003 £	2002 £
Ordinary shares – paid	200,000	-
Ordinary shares – proposed	-	150,000
	<u>200,000</u>	<u>150,000</u>

Notes to the financial statements

at 31 December 2003

9. Tangible fixed assets

	<i>Leasehold property improvements</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2003	295,158	920,097	408,138	1,623,393
Additions	-	402,625	-	402,625
Disposals	-	(35,822)	(40,378)	(76,200)
At 31 December 2003	295,158	1,286,900	367,760	1,949,818
Depreciation:				
At 1 January 2003	95,725	212,974	82,502	391,201
Charge for the year	19,231	88,806	74,168	182,205
On disposals	-	(20,331)	(5,378)	(25,709)
At 31 December 2003	114,956	281,449	151,292	547,697
Net book value:				
At 31 December 2003	180,202	1,005,451	216,468	1,402,121
At 31 December 2002	199,433	707,123	325,636	1,232,192

Included above are assets held under finance leases or hire purchase contracts as follows:

<i>Asset description</i>	<i>2003</i>		<i>2002</i>	
	<i>Net Depreciation</i>		<i>Net Depreciation</i>	
	<i>book value</i>	<i>charge</i>	<i>book value</i>	<i>charge</i>
	£	£	£	£
Equipment	441,397	29,272	210,649	18,660
Motor vehicles	186,741	62,246	286,001	44,303
	628,138	91,518	496,650	62,963

10. Stocks

	<i>2003</i>	<i>2002</i>
	£	£
Raw materials and consumables	236,003	174,245

Notes to the financial statements

at 31 December 2003

11. Debtors

	2003	2002
	£	£
Trade debtors	1,568,788	1,136,554
Other debtors	67,092	81,194
Prepayments and accrued income	103,499	65,939
Amounts receivable from parent undertaking	488,876	-
	<u>2,228,255</u>	<u>1,283,687</u>

Included in other debtors is £3,093 relating to the balance on a directors loan account. The maximum outstanding on the director's account during the year was £161,515 in July 2003.

12. Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank loan	-	35,944
Net obligations under finance leases and hire purchase contracts	148,899	171,322
Trade creditors	1,358,583	934,714
Corporation tax	353,453	236,547
Other taxes and social security costs	75,076	24,390
Other creditors	-	26,271
Accruals and deferred income	396,735	56,494
Proposed dividend	-	150,000
	<u>2,332,746</u>	<u>1,635,682</u>

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

	2003	2002
	£	£
Bank loan	-	87,180
Net obligations under finance leases and hire purchase contracts	228,257	174,619
	<u>228,257</u>	<u>261,799</u>

Notes to the financial statements

at 31 December 2003

13. Creditors: amounts falling due after more than one year (continued)

	2003	2002
	£	£
Debt/(finance leases) is repayable as follows:		
Less than one year	173,509	207,266
More than one year but less than two years	110,629	151,338
More than two years but not more than five years	141,551	110,461
	<u>425,689</u>	<u>469,065</u>
Less interest allocated to future periods	(48,533)	-
	<u>377,156</u>	<u>469,065</u>

14. Provisions for liabilities and charges: deferred taxation

The movements in deferred taxation during the current year are as follows:

	£
At 1 January 2003	106,976
Charge for the year (note 7)	24,448
At 31 December 2003	<u>131,424</u>

There is no unprovided deferred tax (2002: £Nil).

15. Accruals and deferred income: deferred government grants

	£
At 1 January 2003	45,464
Released during the year (note 3)	(13,092)
At 31 December 2003	<u>32,372</u>

The deferred government grant has been reclassified from provisions for liabilities and charges to accruals and deferred income during the year.

16 Share capital

	2003	2002
	£	£
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid</i>		
130,000 ordinary shares of £1 each	<u>130,000</u>	<u>130,000</u>

Notes to the financial statements

at 31 December 2003

17. Reconciliation of movement in shareholders funds and reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total Share- holders' funds</i>
	£	£	£
At 1 January 2001	130,000	255,093	385,093
Profit for the financial year	-	610,915	610,915
Dividends	-	(150,000)	(150,000)
At 31 December 2002	130,000	716,008	846,008
Profit for the financial year	-	865,597	865,597
Dividends	-	(200,000)	(200,000)
At 31 December 2003	130,000	1,381,605	1,511,605

18 Other financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	2003	2002	2003	2002
	£	£	£	£
<i>Operating leases which expire:</i>				
Within one year	-	-	289	-
In two to five years	12,678	12,678	52,148	13,750
In over five years	52,674	52,674	-	-
	65,352	65,352	52,437	13,750

19 Contingent liabilities

The company is party to a cross guarantee arrangement with its parent company in respect of bank facilities. The directors do not expect any loss to arise as a result of this arrangement.

20 Related party transactions

During the period D Rayner, a director of the company, purchased a motor vehicle from the company for £35,000, being the open market value.

The company has taken advantage of the exemption in paragraph 17 of Financial Reporting Standard 8 regarding exemption from disclosing transactions with other group companies.

Notes to the financial statements

at 31 December 2003

21 Parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Brambles Foods Group Limited (formerly known as Seckloe 159 Limited), which is incorporated in the United Kingdom. Brambles Food Group Limited is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared. Copies of the group financial statements for Brambles Foods Group Limited are available from its registered office: 13/15 Drake Court, Riverside Park, Middlesbrough, TS2 1RS.